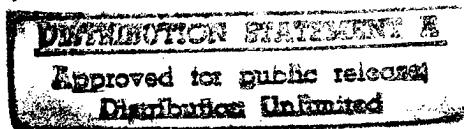


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NATIONAL AFFAIRS, POLICY

State Council Researcher Views Current Economy 93CE0037A Beijing GUANLI SHIJIE [MANAGEMENT WORLD] in Chinese No 4, 24 Jul 92 pp 19-24

[Article by Li Peiyu (2621 1014 5148), affiliated with the State Council Development Research Center: "An Analysis of Economic Conditions and Policy Options for 1992"]

[Text] I. The Features of China's Economic Situation for January Through May 1992

A. Our Industrial Growth Rate Was Down Somewhat From Its High

Our GVIO [Gross Value of Industrial Output] for the first five months of 1992 at the township level and above throughout China was up 12.9 percent, 22 percent, 20.1 percent, 18.2 percent, and 16.7 percent, respectively, over the same months in 1991. When taking the impact of leap year on February into account, by deducting one day of output value, February's comparable rate was actually 18 percent. Thus, as this growth rate for the first five months of 1992 peaked in March, after which it fell for two consecutive months, its growth curve was clearly in a downward trend. Distinguished by light and heavy industry, our heavy industry growth rate for the last three months was essentially steady at around 20 percent, while our light industry growth rate was relatively down, making it the basic factor impacting our overall industrial growth order in recent months.

B. Our Balance of State Revenue and Expenditure Was Good

In the first five months of 1992, our state revenue was up 26.7 percent over the same period in 1991, while our expenditures were up 12.5 percent, for a favorable balance of 21.77 billion yuan, or a surplus of 15.6 billion yuan more than for the same period in 1991. When excluding particular factors, such as advance payments of national treasury bond income and advance payments of foreign exchange balance appreciation income increases, to calculate according to comparable specifications, our state revenue for the first five months of 1992 was up 11.9 percent over the same period in 1991. This included higher revenues mostly from tariffs, value-added taxes, product taxes, and business taxes, showing that China's economy remains characterized by the "rate—efficiency" model.

C. Our Credit Expanded Quickly

By the end of May, our bank balance from all loans was up 86.32 billion yuan from the beginning of the year, topping our credit plans for the first half a month in advance, and making it a foregone conclusion that it would top 100 billion yuan for the first half. This shows that our credit expanded quite quickly.

D. Our Fixed Assets Investment Grew Rapidly

In the first five months of 1992, our state-owned units' fixed assets investment was 87.37 billion yuan, up 38.8 percent from the same period in 1991, and maintaining a rapid growth momentum. This investment broke down as follows: Investment in local projects grew rapidly, with its percentage of the whole up from 54.8 percent in 1991 to 59.9 percent; there were more projects starts that tended to be smaller in size, with the individual project size down from 4.24 million yuan for the same period in 1991 to 1.8 million yuan; the percentage of investment in power and the transportation, post and telecommunications, and communications industries was down somewhat, while that in the machinery, electronics, and textile industries was up.

E. Our Consumer Goods Markets Remained Stable, With Fairly Moderate Demand Growth

In the first five months of 1992, our overall retail commodity turnover was up 14.4 percent over the same period in 1991, including a 14.9 percent rise in consumer goods retail sales, where monthly increases were 14.3 percent, 15.1 percent, 19.9 percent, 9.7 percent, and 14.6 percent, respectively. The sharp fluctuation between March and April was due mainly to our adjustment of grain and cooking oil prices, excluding which our consumer goods retail sales remained at a steady approximately 15 percent, or obviously a more moderate rate than our rapidly growing investment.

F. Our Price Variations Were Essentially Normal

In our consumer goods markets, fairly steady consumer demand and remaining large consumer goods production potential kept our pricing situation essentially good. In the first four months, our retail price index rose 6.2 percent, while the cost-of-living price index for our urban residents rose 7.1 percent. The major reasons why retail prices rose more for the first few months in 1992 than in 1991 were our price increases for grain and cooking oil in April and their too low bases for the same period in 1991. As to capital goods markets, despite a sharp rise in investment demand, there was still potential supply, so that the balance between supply and demand was essentially normal. In the first four months, our capital goods price index rose 7 percent. Except for a few products whose prices rose quickly, the overall situation remained normal.

G. Our Foreign Trade Situation Was Good

Customs statistics for the first five months of 1992 show that our exports amounted to \$27.96 billion, up 14.4 percent over the same period in 1991, for a good growth momentum, while our imports amounted to \$26.21 billion, up 21.4 percent. The major reason for our brisker imports was the higher demand for imports brought by our economic acceleration. As our import base for the same period in 1991 was low, this was in the nature of a recovery, so that our current import growth is essentially moderate, and we are still maintaining a favorable foreign trade balance.

II. Our Essential Macroeconomic Orientation for the Second Half of 1992

A. A Factor Analysis and Policy Options

The factors affecting our economic trends in the last half of 1992 are many and closely tied to government policy options, and include the following major ones:

1. The Right Control of Credit Will Be One of the Key Factors in Keeping Our Economy from "Overheating"

Since our bank loans increased too sharply in the first five months, we need to moderately and effectively control our granting of credit in the second half of 1992. The immediate reality is that it will be very hard for us to keep our new loans for the year within the planned 283 billion yuan, which would lead to concerns about too sharp cutbacks. Even if we kept our loans for the second half at the same level as last year, they will still top 340 billion yuan for the year, to exceed plans by almost 60 billion yuan. Considering the reality that more loans were granted in the second half last year, and taking into account factors, such as rising prices and faster industrial growth rates in 1992, it seems that we should consider trying to keep our new loans in 1992 between 340-350 billion yuan. If we could better control working capital loans, to keep new loans down to 330 billion that would be even better.

2. The Right Control of Investment With a Moderate Stimulation of Consumer Goods Markets, Will Be a Key Link in Balancing Our Light and Heavy Industrial Growth Order and Our Accumulation and Consumption Proportions

As stated above, as opposed to our brisk investment markets, the more moderate expansion of our consumer goods markets in the first five months of 1992 has resulted in light industry growing clearly slower than heavy industry. The continued pushing ahead with housing reform and the still rising stock and bond fever throughout China is pushing most of the new urban income increases toward housing financing and various investment spending, which will undoubtedly affect the growth of cash consumer spending by urban residents. Even if a sizeable part of this spending comes out of savings, it will still have a similar impact on consumer actions. The expansion of rural consumer goods markets will also be limited because peasant real income growth has stagnated in recent years, while most of their new income increases are being used to build houses. This means that our consumer goods markets will continue to expand steadily in the second half of 1992. Even though high investment might spur consumer growth, this trend will not deteriorate into extreme consumption expansion. But even if we exercise the right amount of control over credit in the second half, brisk investment is still likely to maintain heavy industry at a fairly high rate of growth, which might lead to an imbalanced growth order for light and heavy industry and a sharp variation between accumulation and consumption proportions, which would be adverse to balanced growth in these two

major categories. So in light of our considerable remaining consumer goods production potential, a more reasonable policy option would be to exercise the right amount of control over investment, while guiding and invigorating consumer goods market in a limited way to balance our light and heavy industrial growth.

3. Resolving Our Immediate and Potential "Bottleneck" Limitations Will Be a Key Premise for Maintaining Balanced Economic Growth

Our current problem of transportation and communications, and particularly rail transport, "bottlenecks" is a particularly glaring one, which will play an increasingly conspicuous role in limiting our economic growth. It will be hard for our current limitations in shipping key raw materials to long sustain our superhigh pace of economic growth. Our thoughts on resolving the "bottleneck" problem turn to the two areas of curbing rates and demand and stimulating efficiency and supply. Policy choices in this area will have a key impact on our economic and price conditions in the second half of 1992.

4. Better Deepening Reform, by Improving Our Macroeconomic Regulation and Control Mechanisms and Microeconomic Operating Forces, Will Be the Essential Guarantee of an Efficient, Rapidly-Growing, and Steadily-Balanced Economy

Our historical experience is causing many people to see our currently rapidly expanding economy as leading to a future "overheated" possibility. While such concerns are warranted, our historical experience has also brought us to understand that it is only through deepening of reform, by improving our macroeconomic regulation and control system based mainly on indirect means, and through establishing vigorous microeconomic operating forces with self-restraints, that we can put China's economy into a sustained, efficient, and rapid growth cycle. Otherwise, our economy will either become "overheated" again due to lack of macroeconomic control and microeconomic restraint, or "cool down" too quickly due to severe administrative control, either of which would lose us our growth opportunity. Our policy choices in this area will have a defining impact on China's economic trends for the second half of 1992 and on into the future.

B. Economic Growth Projections for 1992

1. Our Production Rates and Structures

Agriculture: Favorable and unfavorable factors for increased output coexist, including favorable ones, such as higher agricultural product procurement prices and faster growth of township enterprises, and unfavorable ones, such as the environmental impact and a lower fall planting area. Our overall summer grain output is expected to be the same as in 1991. Our 1992 GVAO [Gross Value of Agricultural Output] will be up about 4.5 percent to 824.7 billion yuan (at 1990 prices).

Industry: Our current growth trend means that our 1992 GVIO will be up almost 18 percent, including growth of about 20 percent for heavy industry and only 15.5 percent for light industry, so that our light and heavy industry will be in an unbalanced growth order. If in the last half of 1992 we can exercise effective control over credit (to keep new loans for the year between 340-350 billion yuan), and exercise the right amount of guidance over consumer goods demand, then our 1992 light and heavy industry growth will be more balanced, with growth rates of 17 percent and 18.5 percent, respectively, for GVIO growth of 17.8 percent.

Building construction: Expanded fixed assets investment and accelerated housing construction will bring large growth to our building industry in 1992. Its 1992 output value is projected to be up 17 percent over 1991 to 387.2 billion yuan (at 1990 prices).

Transportation, and post and telecommunications: Growth here will be limited mainly by supply capability. Our 1992 transportation industry output value is predicted to be up about 7 percent over 1991.

Commerce: Growth here will be intertwined with our overall national economic conditions, as well as being affected to a large degree by consumption growth. Considering a policy of the right amount of control over investment and guidance of consumption, our 1992 commerce output value will grow at an estimated rate of 14.5 percent.

GNP: As preliminary statistics show GNP growth of about 11 percent for the first five months of 1992, our 1992 GNP growth rate is projected to be about 11 percent. If we include the possible larger growth of tertiary industries due to policy stimulus, our 1992 GNP growth rate is likely to top 12 percent.

C. Our Investment and Its Structure

Projected from our investment growth trend for the first half of 1992, our 1992 fixed assets investment will top 680 billion yuan, up 28.8 percent from 1991, including a fixed assets investment in state-owned units of 470 billion yuan, up 32.1 percent. But if we exercise the right amount of control over credit, our overall fixed assets investment can be kept within 660 billion yuan, up only 25 percent from 1991, including a state-owned investment of 455 billion yuan, up only 27.9 percent.

As to our investment structure, the demand for upgrading to increase output remains brisk, so that our upgrading investment will continue to grow faster than our capital construction investment. And our commercial housing investment will also continue to grow at a fast pace. Thus, our projections for fixed assets investments in state-owned units for 1992 are that the percentage of capital construction investment will drop from 1991's 58.3 percent to 57 percent, or 259.4 billion yuan, up 25 percent from 1991, while the percentage of upgrading and other investments will rise to 43 percent,

or 195.6 billion yuan, up 31.9 percent. As to our investment funding structure, while our investment in central key construction projects will speed up in the second half of 1992, this will not change the order of local projects growing faster than central ones, so that local projects will make up more than 60 percent of our overall 1992 investment. As to our investment industrial structure, we will continue to maintain the order of our percentage of investment rising for machinery and electronics products, textiles, and raw materials and dropping for power and transportation and communications, while remaining the same as in 1991 for farming, forestry, livestock raising, fishery, and water conservancy.

D. Our State Revenue and Credit

As it is also tied to our economic growth, our state revenue will continue to maintain a good growth momentum in the last half of 1992, being projected to be up 13.8 percent for the year to 407.7 billion yuan. The gradual emergence of the pulling effect of our economic expansion on our fiscal spending, and the extra capital plus interest that we will pay on our foreign and domestic debts, will bring great pressure for increased fiscal spending in the last half of 1992, so that we should not be optimistic about our balance of revenue and expenditure. Only by continuing to enforce a tight fiscal policy can we hope to keep our 1992 fiscal deficit within the budgeted 20.786 billion yuan.

Credit is also a variable that is sharply affected by policy. As stated above, if we take the right control steps, we can hope to keep our new loans for 1992 within 340-350 billion yuan. Meanwhile, we are expected to put 64-66 billion yuan of currency into circulation. But if we continue to practice a loose monetary policy in the second half of 1992, our new loans for the year might top 380 billion yuan, and we might put over 70 billion yuan of currency into circulation, making both up more than 30 percent over 1991, which could lead to an expansionary credit situation.

E. Our Markets and Prices

As stated above, our 1992 consumer goods markets are stable but slack in relation to our investment markets. If there are no conspicuous changes in the second half, and consumer spending remains steady, there will be no turnaround in our overall consumer goods market situation of supply exceeding demand. Thus it is estimated that our retail commodity sales turnover for 1992 will be up 15.6 percent over 1991 to 1.0884 trillion yuan. Taking into account the impact of moderate steps to invigorate consumer goods markets, this growth rate might top 17 percent for overall turnover of more than 1.1 trillion yuan.

As our consumer goods markets are quite stable, and we have much remaining light industry production potential, there is not much pressure for price rises on consumer goods markets. Price increases come about mainly through structural supply and demand conflicts (as in vegetables) and pricing adjustments. Our projections for

1992 are that our retail price index will be up 6.8-7 percent, while our employee cost-of-living price index will be up almost 10 percent.

As capital goods markets are affected by investment demand, their prices are in an upward trend. If our fixed assets investment scope exceeds 680 billion yuan, our 1992 capital goods price index will rise more than 10 percent, but if we keep our investment scope under 660 billion yuan, we can hope to keep our capital goods price index within single digits at about 9 percent.

F. Our Foreign Trade

We will continue to maintain a good export growth momentum in the last half of 1992. As the international market will continue to favor exports, and the upward adjustment of our exchange rates will stimulate exports, our projections for 1992 are that our export growth rate will be higher than 1991's at 16.5 percent, for an export turnover of \$83.78 billion (by customs statistics specifications), while our imports will continue to grow to maintain our high rate of economic growth. Our 1992 imports are expected to be up 25.5 percent over 1991, for an import turnover topping \$80 billion. So excluding goods for which foreign exchange is not collected or paid, we will maintain a small trade surplus.

III. Policy Recommendations

The rapid "heating up" of China's economy in 1992 is beginning to lead to concerns that it might "overheat" again. As our historical experience shows that such concerns are not unreasonable, macroeconomic policy plans for the last half of 1992 to keep our overall economy at a normal rate of growth have become a matter of great interest. But we also believe that policy formulation must combine immediate considerations with long-range goals, and that growth and stability should be a dialectical unity. Emphasizing stability unilaterally would again lose the vigor that has just been stimulated in our economy, and do damage to our long-range growth goals instead, while neglecting long-range goals, such as structural adjustment, and not paying attention to the balanced growth of our national economy, would make it hard for us to either improve our macroeconomic efficiency or maintain our immediate high-speed growth. Even more importantly, we need to make new policy plans based on our understanding of a socialist market economy. The new forces of a socialist market economy should organically combine effective macroeconomic regulation and control mechanisms of mostly indirect regulation and control with microeconomic operating forces that are full of vigor and self-restraint. We must act upon this general consideration in planning China's current economic policies, so that we can ensure efficient, high-speed economic growth, keep our economy from becoming "overheated" or undergoing large fluctuations, and gradually put it onto a path of good and balanced growth.

1. Agricultural Policy

Our increased investment and rapid economic growth in recent years have shifted more attention of governments at all levels to industrial production and investment, with a trend of relative neglect of agriculture, which we must be on guard against. As history shows that the cause or fuse of all of our major economic fluctuations was an inadequate supply of agricultural products, a policy to prevent such fluctuation would be to pay attention to and support agricultural growth. As current conditions make it unrealistic to rely on any single policy for overall agricultural growth, we need to use many policies and take diversified steps to speed up agricultural growth. In particular, we need to expand our policy thinking in respect to the overall growth of our rural economy. In the mid- and long-range, we need to reform areas, such as our land use system, develop and disseminate agricultural S&T, and adjust our price relations between agricultural products and industrial goods, in order to ensure agricultural input, stimulate agricultural operations of scale, and put agriculture onto a growth track of "efficiency, speed, and quality." And in the short-term, we need to conscientiously ensure an increasing state investment in agriculture. Particularly under today's conditions of rapidly expanding fixed assets investments, we need to conscientiously search for agricultural investment funding sources, and strive to increase our percentage of agricultural investment somewhat over 1991.

2. Fiscal Policy

As our ratio of state revenue to national income has dropped sharply in recent years, our fiscal policy is less capable of impacting our overall national economy. This means that the fiscal role in adjusting 1992's economic trends will be a limited one. While the macroeconomic adjustment experience of developed Western countries shows that short-term adjustments come primarily through monetary policy and only secondarily through fiscal policy, our fiscal policy can still play the following roles in adjusting China's short-term economic conditions: 1) Fiscal policy can still play a key role in balancing regional economic growth. As our current rapid economic growth is widening the gap between coastal and interior growth, our fiscal policy should be slanted somewhat toward supporting economic growth in undeveloped regions, in order to keep our current overall economic growth more balanced. 2) Fiscal policy retains a key role in carrying out our national industrial policy. As state revenues are now quite good, it seems that we could consider using more discount (subsidized) loans to support development of basic industries, particularly our rail and highway systems, as well as to provide funding to ensure the completion on schedule of key projects. 3) Combining a continued tight policy on spending with the policy of the right amount of control over credit can play an indispensable role in preventing too much economic inflation.

3. Monetary Policy

The most important indirect means in our macroeconomic regulation and control system is monetary policy operations. This is most effective in short-term regulation of the economy in particular. Under current conditions, we need to design our monetary policy in line with the new thinking on a socialist market economy, by reforming and improving our current policies in hopes of using more economic means to effectively apply the right amount of control in the last half of 1992 through credit and other policies. This could be effected mainly in the following ways: 1) We should grant the People's Bank of China (PBOC) relative legal and administrative independence in the performance of its monetary policy function, which would ensure that while supporting normal economic growth, this central bank could consistently adhere to essential aims and policies that would stabilize our currency. A current pressing task for our central bank under the present conditions of high economic growth is to reclarify its basic principles on stabilizing the currency, by presenting its policy aims on the right amount of control over credit. This would play a crucial role in preventing credit expansion and keeping our economy from becoming "overheated." 2) We should improve the vertical leadership system of the PBOC at all levels. We need to take administrative and legal steps to keep local governments from interfering directly or indirectly in bank affairs, in order to ensure the effective operation of the central bank's credit policy. 3) We should enhance the central bank's indicator target system and methods for oversight and regulation and control of all specialized banks. The method of using year- or month-end loan balances alone as control targets should be improved. 4) Based on national industrial policy requirements, we should appropriately raise interest rates on fixed assets loans for investment in other than basic industries, in order to prevent too much currency demand. As interest rates on deposits are now quite low and prices are rising, we should keep savings interest rates steady. 5) We should exercise the right amount of control over the issuing of all bonds, and make sure that this control reflects our national industrial policy. Interest rates on bonds should also be set according to market demand, instead of being artificially set too high, in order to prevent too much bond fever and speculation.

4. Pricing and Other Related Policies

Keeping prices essentially stable to prevent runaway inflation remains one of our basic macroeconomic policy priorities. The rapid increase in our fixed assets investments in 1992 might reverse the good supply and demand situation in our capital goods markets, by putting pressure on capital goods prices to increase. Recognizing this as soon as possible and taking active steps to prevent its possible occurrence should be helpful but not harmful. As our current consumer market trend is stable, it would help our reforms and growth to take advantage of the opportunity to put into effect certain price reform plans to appropriately guide and invigorate individual

consumption. Of course, as this stability is based on a normal consumer mindset of expected price regularity, it will be very important to control the "degree of intensity" in areas such as price adjustment and credit expansion. We could consider the following pricing and other related policies for the second half of 1992: 1) We should not miss the chance to put certain necessary price adjustments into effect, in order to bring better order to our irrational pricing system. 2) We should appropriately speed up our price management reforms, in order to further increase the percentage of commodities whose prices are market-set. In particular, we should deregulate as much as possible the prices of those non-essential consumer goods that can be deregulated. 3) We should deepen our circulation reforms, in order to reduce the possibility of inflation caused by chaos in our circulation order. An area that now needs more attention is taking effective steps to keep circulation and production enterprises from "cornering" markets. 4) As conditions allow, we should make active use of international resources to maintain domestic market balance. In particular, we should make the necessary preparations to increase in a planned way our imports of certain capital goods in the second half of 1992, which our foreign exchange supply conditions might permit, and that would be very helpful in curbing capital goods market price increases.

5. Foreign Trade Policy

As our foreign trade conditions have been very good in recent years, so that our foreign exchange reserves have grown considerably, our foreign trade policy will be able to play an active macroeconomic role in the rapid growth of our domestic economy in 1992. Using as much foreign exchange resources as possible to import foreign advanced technology, key equipment, and essential production inputs is probably a more effective policy option for a developing country to speed up its S&T progress and economic growth, we could consider aiming our 1992 foreign trade policy at a basic balance of imports and exports. This would give us more regulatory leeway over both imports and exports in the macroeconomic regulation and control of our national economy. This could include the following details: 1) We should practice an exchange rate policy of continued stability, in order to keep rising exchange rates from pulling up domestic market prices, and in order to enable enterprises to become more competitive and export more through better quality and higher efficiency; 2) We should take steps to curb the trend of foreign exchange adjustment markets raising our adjusted exchange rates. Our rapid economic growth has increased foreign exchange demand, bring a rising trend to our adjusted exchange rates, which trend has been further encouraged by expectations of rising exchange rates. In light of China's current foreign trade situation and foreign exchange reserves, this phenomenon is abnormal. So we should consider drawing on some of our national foreign exchange reserves to achieve adjustment market foreign exchange balance, in order to curb further increases in our adjusted exchange rates. 3) We should prepare to

organize in a planned way certain special imports to supplement certain possible supply shortages on our domestic capital goods markets. 4) We should continue to curb consumer goods imports, in order to prevent too much import expansion. Of course, this must be matched by other domestic policies and reform steps, in order to prevent too much protection of domestic enterprises, and to make our enterprises more competitive so that they will be better suited to the new international climate of competition after China recovers our seat in the GATT.

Statistics Officials Caution Economic Overheating
93CE0037B Beijing GUANLI SHIJIE [MANAGEMENT WORLD] in Chinese No 4, 24 Jul 92 pp 16-18

[Article by Zhang Zhongji (4545 6988 1015) and Qiu Xiaohua (6726 2556 5478), affiliated with the State Statistical Bureau's General Office: "On Whether China's Current Pace of Economic Growth Could Lead to Economic Overheating"]

[Text] Driven by a great wave of reform and opening up, China's economy is clearly growing at a faster pace in 1992, with all sectors, such as production, construction, and circulation, being in a "warming" phase. Whether our current pace of economic growth might lead to a recurrence of our 1988 economic overheating is a matter of much concern. Thus, we are presenting our views on the subject.

Our Current Economic Growth Is Essentially Different From That in 1988

1. As to our overall supply and demand relations, 1988's economic growth was based on successive years of overall demand having exceeded overall supply. From 1984 to 1988, based on current prices, our average annual growth rates were 19.4 percent for GNP, but 25.7 percent for fixed assets investment and 21.1 percent for retail commodity turnover, or higher than our GNP by 6.3 and 1.8 (sic) points, respectively. But our current economic growth is based on successive years of low final demand. From 1989 to 1991, based on current prices, our annual growth rates were 12 percent for GNP, but only 5.5 percent for fixed assets investment and 8.2 percent for retail commodity turnover, both being much lower than our GNP growth. Thus, our highly increased investment with steadily rising consumption in 1992, with growth rates for the first four months for fixed assets investment and retail commodity turnover of 38.6 percent and 14.6 percent, respectively, is a recovery-type growth after the end of our policy of improvement and rectification.

2. As to our industrial growth rate, our accelerated growth in 1988 was based on successive years of high growth, with our GVIO [Gross Value of Industrial Output] having grown at an average rate of 17.5 percent from 1984 to 1988 (including 20.8 percent growth from 1987 to 1988). But our current industrial growth is a recovery based on a slower pace of improvement and

rectification, with our GVIO from 1989 to 1991 having grown at an average rate of 10.1 percent a year. So our faster pace of industrial production in 1992 is a result of the production potential accumulated in recent years beginning to come into full play.

3. As to our markets and prices, factors in 1988, such as successive years of imbalanced supply and demand, a shortage of many commodities, sharply rising prices, several waves in one year of panic buying and runs on savings deposits throughout the country, circulation order chaos, and rampant profiteering, led to an increasingly sharper momentum of price increases. In 1988 our retail commodity price index was up 18.5 percent over 1987, including a 31.9 percent rise in our rural market trade price index. But now our markets are full of merchandise, with abundant and varied commodities, high inventories, and supply equal to or exceeding demand for most commodities, so that the public purchase mindset is normal. And urban housing and health care reforms, as well as the rise of stock and bond fever, are diverting some purchasing power from consumer goods, so that there is not much market pressure. Our current price increases are being driven mainly by policy price adjustments and costs, which is the essential distinction between those in 1988, which were driven largely by commodity supply shortages and spontaneous price rises. Moreover, our current price increases are mainly in the cities, while consumption is still low on our vast rural markets due to previous years of low rural incomes, so that rural price increases are lower, which is also different from 1988 when consumption grew and prices rose in both urban and rural areas.

4. As to our major proportions, in 1988 we had not only an overall imbalance, but also the following major structural conflicts: 1) A high industrial growth rate coexisted with a low agricultural one. Our ratio of industrial to agricultural growth was 5.33:1, far exceeding the normal of 3:1, so that our agricultural supply capability was unable to sustain the already formed demands of our excessive industrial production scale and population growth. 2) Our proportions within industry were unbalanced, with the too rapid growth of our manufacturing industry being unsuited to that of our power output and raw materials production. 3) Rapid economic growth coexisted with slow transport capability growth, bringing increasing limitations due to transport inadequacies. But our current economic growth is based on successive years of bumper agricultural harvests, with our ratio of industrial to agricultural growth for the three years from 1989 through 1991 averaging 2.23:1, including 3.8:1 for 1991, or almost normal. Our current abundant supplies of major agricultural products, such as grain, cotton, and cooking oil, are contributing to market stability. Our power supply shortages have been somewhat alleviated.

And past shortages have become temporary surpluses for certain raw materials, such as raw cotton, sugar, caustic soda, and soda ash, and certain rolled steel products. Except for rail freight shortages, our economic growth is not subject to any clear "bottleneck" industry or product limitations.

5. As to our external economy, our foreign trade deficit continued to grow in 1988 after having increased for successive years, amounting to \$39.5 billion from 1984 to 1988, leaving our exchange balance at only \$3.37 billion by the end of 1988, despite our considerable foreign debt. But our current foreign trade is continuing to maintain a surplus on the heels of successive surpluses in 1990 and 1991 both topping \$10 billion. Our present exchange balance is over \$24 billion, or more than seven times what it was at the end of 1988, which has enhanced our macroeconomic regulation and control capability, and given us more room to maneuver in expanding our foreign economy.

6. As to our means of macroeconomic regulation and control, our macroeconomic policy changed repeatedly in 1988, being economic stabilization, or actually an easy money policy, in the first quarter, "dual external orientation" to expand our externally oriented economy in the second, price reform breakthroughs in the third, and improvement and rectification in the fourth. But our macroeconomic regulation and control is now more efficient, in that we are watching economic trends more closely and taking prompter action. While using the necessary administrative means, we are making more use of economic leverage regulators, such as interest rates, exchange rates, tax rates, prices, and credit. Meanwhile, our improving of reform has clearly enhanced the restraining role of market demand on our enterprise production, which is somewhat reducing our unchecked enterprise production.

These comparisons show that our present economic conditions are much different than those of pre-1988, in that while our economic growth is fast, it remains within the scope permitted by our objective conditions. Moreover, as the major indicator of economic overheating is whether demand is much greater than supply, which would touch off runaway inflation, rather than simply our growth rate, we believe that economic overheating is certainly not a problem at present. Of course, our current economic operations also certainly contain certain factors that might lead to economic overheating, being similar in part to those in 1988. For instance, deeper conflicts, such as an extraeconomic amount of currency in circulation, low economic efficiency, rising costs, and our irrational economic structure and system, have not been clearly improved, leaving our economic growth still on the old track of high input and low output. In 1992, in particular, all parties have been competing very sharply for investment, projects, and loans, so that there have been too many new project starts, our investment structure is irrational, much too much credit is being granted, prices are rising sharply in large- and medium-sized cities, and certain sensitive price indexes in areas such as

rural market trade prices, beyond-plan capital goods prices, and adjusted foreign exchange prices, have changed from the previous two years of steady but falling to steady but rising. If we do not deal with these problems properly, but allow them to deteriorate, they might lead to economic overheating.

Our Economic Growth Prospects and Macroeconomic Regulation and Control Countermeasures

In our current state of economic development, various macroeconomic decisions could produce the following three differing results:

1. Expanding our reform dynamics could rationalize our economic relations. Consolidating and developing our improvement and rectification successes through improving reform could gradually solve deeper problems in areas, such as our economic structure and system and our operating forces. Basing our economic growth mainly on reform instead of expanded input, could bring faster growth to our national economy based on maintaining an essential balance of key proportional relations and further improving economic efficiency, elevate our economy to a new level through several years of rapid growth, and create better conditions for future growth.
2. Overemphasizing overall regulation and control might be a temporary solution but not a permanent cure. While relying mainly on existing macroeconomic regulation and control measures for technical manipulation of economic operating problems could postpone an outbreak of conflicts, it might allow them to accumulate so that when they eventually did break out, they would release too much "energy" and force us to take severe tightening steps, creating large economic fluctuations.
3. Impatience for quick results might lead to economic overheating. Unchecked production and development beyond our capabilities could lead to a quantitative and structural imbalance of our overall supply and demand and obvious inflation that would force us to make yet another adjustment.

In order to promote the sustained, balanced, and steady growth of our national economy and strive to achieve the first of the abovementioned results, we are making the following recommendations:

1. We should adhere to the realism principle. Comrade Deng Xiaoping's speeches on his southern tour this spring have sharply aroused the initiative of our leaders at all levels and the public, as well as having sharply accelerated our pace of reform and opening up, so that many areas have put forth plans to achieve the Eighth Five-Year Plan ahead of schedule. Meanwhile, other areas are experiencing phenomena such as overstepping of objective qualifications, unchecked competition for investments and projects, competing to solicit foreign firms by offering preferential terms, and development zones springing up everywhere. In addition, many provinces and cities have devolved investment examination and approval authority to lower levels, which is bound to

add to the danger of chaotic project starts and duplicate development. Thus, in our macroeconomic regulation and control, we must pay attention to preserving local initiative in all areas by supporting rapid but solid economic growth, while adhering to the realism principle, by acting in accordance with our capabilities and conscientiously maintaining overall macroeconomic balance. While the very likely possibility that our 1992 fixed assets investment will sharply exceed plans is not a big problem as to materials and manpower, it will be a crucial one as to fundraising and borrowing, where we must pay attention to rational investment orientation, improved investment efficiency, curbing unchecked importing and duplicate development, and investing our limited capital where it is most needed.

2. We need to correctly handle the relations among growth rates, proportions, and efficiency. Taking advantage of the current favorable opportunity to speed up our pace of economic growth is required by objective conditions, as well as being necessary if we are to realize the aim of our 10-year program of becoming comfortably well-off. While qualified areas should speed up their economic growth as much as possible, with "the more growth the better" as long as quality is good, efficiency is high, and products are marketable, we must oppose the tendency of unchecked growth without regard to market demand. Some enterprises have had too optimistic market expectations, which has led to unchecked production and brought symptoms of a turnaround in the problem of overstocked finished products that had improved for a time in the last half of 1991. We need to come to a clear understanding that while our economy is now growing fast, our economic efficiency has not yet bottomed out. As our historical experience proves that relying on large amounts of inefficient input to maintain high growth rates, which causes high consumption, is hardly sustainable in light of China's financial and material resources, we need to focus on improving our economic efficiency, emphasizing structural adjustment, making our products higher-tech, and maintaining balanced economic growth. Faster economic growth must be based on constant structural optimization. While striving for good agricultural harvests, we must speed up our development of basic industries, curb unchecked manufacturing industry growth, and take conscientious steps to speed up our development of tertiary industries. As to enterprises whose products have long been overstocked and that have no hopes of reversing losses, as well as their excess personnel who are out of work due to reform cutbacks, we should adopt policies to help them convert into and develop tertiary industries;

3. We need to handle well the relations among reform, growth, and stability. As our current economic climate is fairly relaxed, now is the time to speed up reform. We need to give priority to reform, so that reform and growth can promote each other as follows: 1) We must closely tie reform to growth, by enlarging our reform dynamics in areas, such as production relations and the superstructure, in order to better free up our productive

forces. We need to build an economic climate and economic forces that stimulate enterprise initiative to make technological advances, so that China's economy can get off of the old track of high input and low output. 2) Our reforms must give overall consideration to sustainability in all areas. Most of the reforms that are now underway or about to go into effect are of concern to the public's vital interests. Our reform dynamics must take into account varying individual incomes, in order to contribute to social stability. 3) Our reforms must be complete. While emphasizing the reform of enterprise operating forces, we must also focus on government institution reform, by conscientiously converting government functions from direct control over microeconomic operations to indirect control through economic leverage and legal means. We must speed up our development of a social security system, in order to make proper arrangements for our surplus manpower.

4. We must enhance our control over public money markets, by strengthening our macroeconomic regulation and control capability. Until our state revenue situation basically improves, banks will remain our strong line of macroeconomic regulation and control defense, with there being a close relationship between loans and industrial growth rates, investment scale, and price increases. Our accelerated economic growth in 1992 is invigorating our public money markets and bringing a stock and bond fever. But while this is playing a positive role in alleviating production development fund shortages, as well as contributing to the establishment of risk restraint forces, China's securities markets are still in a stage of exploration and testing. If we act with undue haste while various systems are still undeveloped, it is very likely to lead to "unchecked change" and even touch off social unrest. Thus, our macroeconomic regulation and control must exercise more control over public fundraising, by emphasizing the establishment of sound and relevant rules and regulations, and standardizing and legalizing public fundraising, so that our public funds will be guided toward key developments that are in line with our national industrial policy demands.

PROVINCIAL

Jiangsu Cities Impress Singaporean Delegation OW1010111492 Beijing XINHUA in English 1103 GMT 10 Oct 92

[Text] Singapore, October 10 (XINHUA)—Singapore was interested in a suggestion made by the mayor of Suzhou on developing of a model centre in part of the city, a senior Singapore official said.

Deputy Prime Minister Ong Teng Cheong was quoted by local press today as saying that Singapore is willing to design a model city for China if "give us a piece of Suzhou or Wuxi, and let us a free hand to develop it fully."

Ong, who accompanied Senior Minister Lee Kuan Yew to visit China from September 28 to October 8, told local press that the two cities made a good impression on Senior Minister Lee and other members of Singapore delegation.

He said that he picked the two cities in Jiangsu Province, because they were imbued with beautiful scenery to charm tourists, and at the same time had the robust modern character to attract foreign investors.

FINANCE, BANKING

Developing Unified Securities Market

93CE0039C Beijing JINRONG SHIBAO in Chinese
28 Sep 92 p 1, 4

[Article by Guo Zhenqian (6753 2182 0051), Vice-president of People's Bank of China: "Developing a Unified Securities Market"]

[Text]—Free ourselves from the constraints of the old system. Establish a nationwide unified securities market that is inter-regional, inter-industry, and inter-sector.

—Boldly learn from the experiences and practices of the securities industry overseas. Pursue development through fair competition. Oppose monopolism. Be steadfastly market-oriented.

—Establish a host of large market-oriented companies, each with their own characteristics, not large companies of the administrative mold or those dependent on special policies for their survival.

Speech by Guo Zhenqian at national securities companies organizing conference, 1 August 1992.

Let me offer some ideas about putting together national securities companies.

1. Why the Need for National Securities Companies?

Since 1987 when China's securities industry was born, 67 securities companies have been set up one after another, most of them founded under the leadership of provincial branches of the People's Bank. These securities companies have helped expedite the development of China's securities market, aided economic construction, and made short-term loans directly. They also have trained a large number of securities workers. Some of these companies are well-managed and full of vitality. They have grown rapidly and accumulated some positive experiences in developing a securities industry with Chinese characteristics.

However, we also see that China's securities industry is slated for even faster growth, as all trades and all professions across the nation work to fully comply with the spirit of Deng Xiaoping's important speech made during his inspection tour of the south as well as that of the plenary session of the politburo of the CCP Central Committee. This means that the existing local securities

companies, which operate on a very small scale, will no longer meet the need. It will be difficult for them to form a unified national securities market. If this situation continues, it will be bad for the development of the securities industry and even worse for the economy. Thus the establishment of several large national securities companies in Beijing, Shanghai, and Shenzhen is what the reform and open policies as well as the economy urgently need. It is also inherent in the development of the securities industry itself. We cannot simply think of this as a matter of adding a few more securities companies. Rather we must appreciate the profound significance of setting up these several large national securities companies in terms of promoting the development of a unified national socialist securities market, developing the tertiary industry vigorously, and accelerating economic growth.

2. Guiding Thought Behind The Organization of Securities Companies

There is an urgent need in China for several large securities companies; hardly anyone disagrees with this consensus. But how do we put together such companies? Opinions differ. Some comrades say: Let the existing securities companies slug it out through fair competition and form new companies through mergers. Others propose that national securities companies be set up based on sectors. These ideas have been discussed at length. In my opinion, the approach of creating large securities companies through free competition, closure, and merger, is inconsistent with China's national conditions. For one thing, it will not work. There are sectoral interests and local interests out there; nobody will let itself be swallowed up by another. For another, the process will take too long, the pain will last too long, which will affect economic development and delay the formation of a unified socialist securities market.

In some developing nations, the government has played an active role in nurturing a unified securities market. This is something we can learn from. Without resorting to some necessary administrative tools, we will have difficulty putting an end to a closed and fragmented market and forming a unified socialist market. At the same time we must break away from the highly centralized model of economic planning in effect for the past several decades. Accordingly, we propose that the People's Bank, using state banks as the base, take the lead in setting up large national securities companies that are inter-sector and inter-regional and that are minimally administrative in nature in accordance with the principles of economic development and the laws of the market.

With the People's Bank taking the lead in setting up national securities companies, the process may go more smoothly and the companies would be off and running within a shorter period of time. The idea is to help everybody pull this thing off, not to stifle competition,

let alone create a monopoly. After the three companies are set up, the organizational work of the People's Bank would be done.

When the People's Bank takes the lead and state banks play a key role in putting together national securities companies, the companies are well-funded and can be set up in a short period of time. Also, there would be fewer conflicts with the monetary policy of the central bank and macroeconomic regulation and control by the state. At the same time, though, if they are not properly run, there is a tendency for the three companies to become monopolistic concerns that are incompetent, highly administrative, and dependent on state policies for their existence. How can we put together national securities companies rapidly while avoiding this tendency? This is the basic direction we should follow in setting up national securities companies: work hard to make the large companies truly market-oriented concerns, not large administrative-type companies. We want large vitalized companies that pursue growth and continuous expansion through competition, not large companies that depend on special policies for survival.

These are some of the basic ideas we have put forward about setting up a truly market-oriented large securities company. First, set up three companies at the same time, not just one. That way we can avoid a monopoly and promote competition. Second, try to make sure that the amount of capital stock held by each of the financial institutions involved be as equal as possible to reduce the chances of anyone exercising a monopoly. Third, adopt a shareholding system to make the companies behave in an even more market-oriented way. Fourth, put an end to the fragmented, backward, and closed system.

What must be emphasized here is the national securities companies' way of doing business. These three large companies must comply with the usual market rules in their operations, boldly learn from and emulate the practices and experiences of the securities industry overseas in light of the reality in China, and remain steadfastly market-oriented. Also they should and have the obligation to fulfill the leading role of large securities companies by closely following the national industrial policy and monetary policy.

3. About Branch Organizations

There are now 67 securities companies and hundreds of securities offices across the nation. Everybody is very interested in what kind of branches these large national securities companies are going to set up. Let me offer a basic plan for public consideration. Under my plan, by and large no new organizations will be set up. Instead, the large companies develop their network through the reorganization and merger of existing securities companies. Such reorganization and mergers should be voluntary and consistent with economic principles and the laws of the market. They should not be effected through coercive administrative orders.

Besides forming a network for the large securities companies through the reorganization and mergers of existing securities concerns, we must diligently encourage the formation of regional securities organizations. For instance, an infusion of capital into securities institutions in such core cities as Shenyang, Wuhan, Xian, Guangzhou, and Chongqing would help them become regional securities companies. I think this is the first approach the three large securities companies should take toward setting up branches after they are founded. As to whether or not the securities concerns in these areas want to be reorganized or merged, I don't think administrative fiat is the answer. Rather it depends on whether the large companies can provide better services and have things to offer each other. In short, the reorganization and mergers must be achieved through market competition. As I see it, if the large companies can provide an opportunity for the other concerns to develop, provided they are competitive, the existing firms would try to develop ties with them on their own initiative in any shape and form. On the other hand, if the large companies do not do well and are not market-oriented, then the firms that have joined forces with them may experience little growth or no growth at all. In that case they may decide to sever ties with them. When that comes to pass, the large securities companies may be large only in name. How to develop these three securities companies into truly market-type large securities companies requires careful thought on everybody's part.

4. Creating Securities Companies With Their Own Characteristics

In the course of our study, some comrades called on the head office of the bank to broadly delimit the scope of operations of each of the three securities companies so that they know where they stand as they develop their business and compete with one another. Looking back now, it seems that would be a difficult thing to do. Each of the three companies has its own turf. Each has its own locational advantages. Each is well poised to develop and grow in its own ways. For instance, Shenzhen and Shanghai are the host cities of China's two stock exchanges, each with a thriving stock market. Not only does Shanghai command the opening of the Chang Jiang basin, but it is also China's economic center. Shenzhen abuts Hong Kong and Macao. Beijing is China's political, economic, and cultural capital, a collecting and distributing center of international information. It is also where large companies and commercial establishments, domestic and foreign, congregate. These geographical conditions determine that the three companies develop into large market-oriented companies, each having their own characteristics. The companies in Shanghai and Shenzhen may be more heavily involved in the stock market and play a more extensive role in the development of Pudong and the Jiang Chang basic and Zhu Jiang Delta. The company in Beijing may be more deeply involved in the sale of large blocks of securities, for which it will act as a sole agent. All this is current speculation; only practice can tell whether or not it will

actually turn out this way. But one thing is certain: if these three companies are to succeed, they must be large, market-oriented securities companies that have their own characteristics.

The organization of large inter-sector and inter-system securities companies is a step in financial structural reform. It is also an exploratory piece of work for us. To be truly market-oriented companies, they must engage in normal commercial competition on the basis of fairness and equality. To a certain extent, though, they also have close ties to one another. In the early stage, in particular, they should communicate with and consult each other often and lend each other support. In short, further the development of a unified socialist securities market hand in hand. May you succeed in your endeavor.

AGRICULTURE

Decontrol of Grain Prices in Guangdong

93CE0031A Beijing JIAGE LILUN YU SHIJIAN
[PRICE: THEORY AND PRACTICE] in Chinese No 7,
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[Article by Wen Wuhan (2429 2976 3352): "Decontrol of Grain Prices in Guangdong"]

[Text] The irrationality of grain prices is one of the most striking anomalies in China's problem-ridden price system. Since price reform got underway, the state has adjusted grain prices several times, but because these adjustments fall short of changing the grain price system, they never manage to put a stop to irrational grain prices. That was something Guangdong realized through its practice in price reform. With the permission of the State Council, Guangdong decontrolled grain prices on 1 April this year, becoming the first province to take a big step forward in changing the mechanism through which grain is bought and sold.

1. A Review of Grain Price Adjustments in Past 12 Years

Since the Third Plenary Session of the 11th CCP Central Committee, Guangdong has applied "special policies and flexible measures" as instructed by the CCP Central Committee and set up a "comprehensive reform and experimental zone." The procurement and selling prices of yam, food grains other than wheat and rice, oil-bearing crops, and edible oils were decontrolled one after another, with fairly good results. In the case of the rice procurement price, Guangdong has taken a string of important steps. It took the national uniform price and increased it by an even larger margin for procurement in excess of the set amount. It offered compensation in kind, reduced procurement tasks, and increased the proportion to be bought at negotiated or market prices. As a result, there has been a steady rise in the rice procurement price. On 1 May 1988 Guangdong doubled the fixed marketing price for grain even as it significantly raised the contract procurement price for rice. In 1991, while the fixed marketing price of 50 kilograms of

husked rice went up 10 yuan on the average nationwide, it jumped 15 yuan in Guangdong, making a big dent in the problem of grain underpricing. But this and other price adjustments do not fundamentally alter the way in which grain is priced or bought and sold. Price irrationality remains a serious problem.

A) Rice procurement price: In the 12 years between 1979 and 1991, the rice procurement price was increased 10.5 percent each year on the average. The rate of adjustment was substantial but the rice procurement price remains significantly lopsided, as demonstrated mainly in the following:

(1) The price scissors between industrial and agricultural prices remains too wide. According to statistics, in the 11 years between 1980 and 1991, the steady increases in the prices of agricultural capital goods raised the material costs of producing a mu of rice from 63.23 yuan to 209.60 yuan, or 12.7 percent each year on the average, which is 2.2 percentage points higher than the rate at which the grain procurement price rose annually during the same period. Meanwhile, the retail prices of rural industrial goods climbed 6.6 percent each year. The result was that the price scissors between industrial goods and grain continue to widen. The underpricing of grain continues to hurt peasants.

(2) The price of rice, set by the state, is very unfair when compared to the prices of other crops that have been decontrolled. In 1990, the daily output value of a grain-growing peasant in Guangdong was just 6.58 yuan, compared to 12.24 yuan in the case of his sugar crop-growing counterpart; 17.50 yuan, fish-pond; 20.35 yuan, vegetables; 31.12 yuan, bananas; and no less than 20 yuan, industrial and sideline production. In annual net output value per mu, the provincial average for rice cultivation in 1990 was 306.84 yuan. Corresponding figures for sugar cane, banana, fish pond, and vegetables were 580.20 yuan, 448.75 yuan, 986.64 yuan, and 1,567.03 yuan, respectively.

(3) The procurement prices of different grades of rice differ little so that production becomes divorced from consumption. In 1991, the average procurement price of 50 kilograms of Grade 3 rice in Guangdong was 31.50 yuan (including 6.50 yuan in in-kind compensation, same for other grades), compared to 32.65 yuan for Grade 2, 33.71 yuan for Grade 1, 35.23 yuan for Special Grade 2, and 36.76 yuan for Special Grade 1, the various grades differing by a mere 3 to 4 percent in price. In contrast, in the case of rice procured at market prices, quality-based price differences are excessive. Take Jiangmen Shi, for instance, which ranks somewhere in the middle. In 1991, the market procurement price of 50 kilograms of Grade 3 rice was 32.50 yuan, compared to 42.00 yuan for Grade 2, 51.10 yuan for Grade 1, 64.75 yuan for Special Grade 2, and 83.30 yuan for Special Grade 1, the various grades differing by between 21 and 36 percent in price. These wide disparities have encouraged the peasants to meet their official grain-procurement quotas with low-grade high-yield Grade 3

rice while saving the high-quality rice for self-use and for sale at market prices. Good-quality rice eludes state procurement, resulting in a dissociation of production from consumption.

B) At the fixed quota selling end, the different grades of husked rice differ little in price so that prices fail to reflect value and supply-demand. The selling prices of fixed quota rice were raised on 1 May 1991. The price of 50 kilograms of Grade 3 rice went up from 30 yuan to 45 yuan, close to the market price. But the official prices of high-grade rice still trailed the market prices after the former was increased. The price of 50 kilograms of Grade 2 rice was raised to 47 yuan; Grade 1, 48 yuan; Special Grade 2, also 48 yuan; Special Grade 1, 51 yuan, the various grades differing only from 2.2 to 6.3 percent in price. In contrast, the market prices (also in Jiangmen Shi) of 50 kilograms of Grade 3, Grade 2, Grade 1, Special Grade 2, and Special Grade 1 rice were 48 yuan, 65 yuan, 82 yuan, 98.50 yuan, and 135.50 yuan, respectively, the various grades differing by anywhere from 25 to 45 percent in price. As a result, while the price is cheap, good-quality rice is unavailable for fixed-quota marketing. On the market, on the other hand, good-quality rice is available at significantly higher prices. As people's living standards improve, their consumption structure changes and with that change comes a rising demand for good-quality rice. So most township residents buy high-priced good-quality rice on the market even as Grade 3 rice sold by the state piles up in the warehouses, unable to meet the fixed marketing quotas. Government grain subsidies have become quite insignificant to the people. The purpose of raising the prices of rice sold under the government fixed marketing plan was to end the mismatch between the buying and selling prices of grain and ease the subsidy burden on government coffers. But since the various grades of rice differ little in price, which violates the principle of pricing in accordance with quality, and because of an overly rigid buying and selling system, the sales volume of Grade 3 rice dropped sharply in the wake of price increases and unsold stocks have been piling up. The upshot is a paradox: an overall undersupply coexisting with a structural surplus. Under these circumstances, not only do grain enterprises fail to recoup the extra money they spend in increased procurement prices, but their expenses are actually going up, resulting in an operating loss.

C) The grain buying and selling system is rigid. State-run grain enterprises lack vitality. There is no division of labor between departments in charge of grain administration and management, on the one hand, and state-run grain enterprises, on the other. Policy-related losses and business losses are jumbled up. This planned-product-economy type of grain marketing system can neither end grain price irrationality nor thrust grain enterprises onto the market. Meanwhile, government continues to shell out an excess amount of money in the form of grain subsidies, which is burdensome on the treasury.

2. Specific Measures To Bring About a New Grain Buying and Selling Mechanism

A) Planned guidance. Replace the traditional command planning over grain production, procurement, and marketing with guidance planning. Make full use of the market mechanism to promote the sustained, steady, and balanced growth of grain production, grain circulation, and grain consumption.

(1) Grain procurement tasks assigned by the state. Apart from the agricultural tax, which must still be paid for in kind, grain production and procurement shall all come under guidance planning without exception. The countryside must supply ration grain and other grain used by the armed forces, based on the size of township population. The amount is then reported to the higher level. The provincial grain bureau harmonizes these figures into a coherent whole, which is then transmitted to the lower levels by the provincial planning commission. It is the responsibility of the provincial grain bureau to regulate the supply and demand of grain allocated to Guangdong by the state.

(2) As for the traditional command planning for fixed quota grain marketing, while grain earmarked for the armed forces remains unchanged and grain coupons would be retained, marketing would normally be thrown open. Depending on changes in supply-demand, sales might be limited to grain coupon purchases if necessary.

(3) Taking local conditions as the starting point, governments at all levels should take effective measures to stabilize the acreage devoted to grain cultivation, increase grain production inputs, expand scientific farming, and optimize the mix of high-grade grain so as to encourage the sustained, steady, and balanced development of agriculture, emphasizing high-quality, high-yield, and high-profit varieties. Departments in charge of planning, production, and circulation should continue to ensure the availability of agricultural capital goods. Others in charge of commodity prices and commerce and industrial administration should step up the management of the market for agricultural capital goods and prevent arbitrary price increases to ensure the normal development of grain production, procurement, and marketing.

B) Decontrol prices. Replace the traditional grain procurement and marketing command-planning prices with controlled and regulated market prices, resulting in a flexible grain pricing mechanism compatible with a command economy.

(1) Grain procurement prices after the decontrol of grain prices. In cooperation with the provincial grain bureau, the provincial commodity prices bureau should set average procurement guidance prices for the entire province based on such factors as the grain production costs, price ratios between grain and other crops, the supply-demand situation in grain, and the abolition of the "three linkages" in-kind supply system, and publish the prices each year before seeds are sown. The units dealing

in grain then sign procurement contracts with grain-growing peasants based on the procurement guidance plan and guidance prices. Where the contract does not spell out a price at which grain is to be traded, it would be calculated based on the market price. Where no contract has been signed, it would then be up to the producer and operator to reach an agreement freely on their own. When the grain price on the market is too low, state-run grain enterprises must procure grain from the grain growers at the lowest protection price and in an amount set by the local government.

(2) Urban and rural grain selling prices are to be set by grain enterprises on their own in light of market prices and should be reported to the price bureau at the corresponding level for record purposes. The selling prices of grain and oil supplied to the military should continue to be set by the state uniformly. When state-run grain enterprises acting as an agent for the sale of such grain and oil run up a loss, it would be offset by the government in accordance with the law. Since the planned price of rationed grain differs little from market price at present, there should be no change in the special grain price subsidy already enjoyed by cadres and workers after the decontrol of grain prices. The amount of subsidy will not be increased, however.

(3) In times of grain shortages and sharply rising market prices, governments at all levels should regulate the market using grain reserves in order to hold down grain prices. At the same time, a price ceiling should be imposed on the grain ration of township residents (including reservoir immigrants, nongken contract grain, and refugee grain).

C) Vitalize grain trading. Energize the grain circulation system. Make full use of the market mechanism to promote grain production and circulation and enhance efficiency.

(1) Government administration from be separated from enterprise management. Grain departments at all levels in the province should be separated from the enterprises dealing in grain. There should be a clean break between government administration and enterprise management. Financially the two should be completely separate from each other. The administrative expenses of a grain department should be paid out of the budget of the department of finance at the same level. Enterprises dealing in grain should enjoy decision-making authority in their operations, should be held accountable for their own profits and losses, and should have a self-development and self-restraining mechanism. They should be market-oriented and competitive and must improve the way they do business and better their economic performance in order to live up to the requirements of the grain commodity economy and fulfill their role as the main player in the state-run grain business.

(2) To enhance the competitiveness of state-run grain enterprises, governments and the departments concerned at all levels should take practical measures to

support the development of such enterprises. Planning departments and banks should help state-run grain enterprises accelerate infrastructural development when it comes to determining the scale of investment and lending quotas. When state-run grain enterprises have difficulties, they should be allowed to keep the necessary loss quota and receive government subsidies.

(3) For years, state-run grain enterprises have been borrowing to pay off policy-related losses. These losses must be straightened out properly. Make the latest round of reform the cut-off point. After verification by the appropriate finance department, existing policy-related losses that have been put on account should be made up in stages. Loans taken out to offset policy-related losses should come under special management, with the banks not charging penalties or additional interest. Before money is appropriated by the government, the local finance department should come up with the money to subsidize interest. Taxes and profits paid by profitable grain enterprises should be used to make good policy-related losses.

(4) After policy-related losses accumulated by grain enterprises over the years have been repaid, the banks should reassess the enterprises' working capital needs to ensure they have the necessary funds. In making grain operating loans, they should continue to follow the various preferential policies of the central government.

D) Intensify regulation and control. After grain producers and operators enter the market, the government should step up its regulation and control of supply and demand on the grain market as well as grain prices.

(1) Establish and perfect a grain reserve system. All four levels of government—provincial, municipal, county, and township (town)—should stock grain in the amount stipulated to regulate the supply-demand relations on the grain market. Policy-related losses sustained by state-run grain enterprises even when they follow the lowest government-mandated protection prices and the highest government-mandated selling prices will remain the responsibility of finance departments at the various levels.

(2) Price differential income generated after the original "three-linkage" materials switch to a supply-at-negotiated-price system and other incomes resulting from higher public grain settlement prices should go into the budget of the finance department at the appropriate level as subsidies for government reserve grain and to hold down market grain prices. After the latest round of reform, finance departments at all levels shall not cut back on the size of miscellaneous grain-related subsidies in their budgets for some time to come.

(3) Develop and perfect the grain market system. Make full use of the grain market mechanism, maintain a balance between supply and demand, and stabilize grain prices. (a) Do a good job at the wholesale level. Energize the retail market by decontrolling it. State-run grain enterprises should concentrate on the wholesale of grain

and edible oils, while other operators in the buying and selling of grain should concentrate on the retail end of the business. If they have the requisite funds, sites, warehouses, and supply sources, grain and oil import-export enterprises and grain producers may enter the grain and oil wholesale business upon approval. (b) In large- and medium-sized cities and in major grain and oil collecting and distributing centers, establish a grain and oil wholesale market and make market transactions more open. Allow large amounts of grain and oil to be bought and sold on the wholesale market. Encourage grain enterprises to develop grain futures contract trading with grain-growing peasants systematically. (c) The management of the grain market should be the joint responsibility of the industry and commerce bureaus, commodity prices bureaus, and grain bureaus at the various levels. To apply to enter the grain wholesale business, one must first be examined and approved by the grain management department above the county level. Then the industry and commerce administration should review the case as required by law before proceeding with registration formalities. Operating without a license is to be prohibited. Standardize grain trading practices and establish a new grain circulation order.

3. Results of Decontrolling Grain Prices

The decontrol of grain prices is the last major battle in Guangdong's drive to reform the prices of agricultural products. The reform was launched successfully owing to the understanding and support of the people of the entire province, the importance accorded it by party and government departments at all levels, careful planning, meticulous organization, strengthened leadership, and the fact that everything was properly done before and after the reform was introduced. This major piece of reform has already begun to pay off: all across the province, in the cities and the countryside, things are looking up. Grain prices are stable, the market is orderly, people's minds are at ease, and a shift is under way toward high-quality grains.

A) Grain prices are stable. Since grain price decontrol took place in a fairly relaxed economic environment, market prices have been stable and grain supplies have been ample. Thus from the very first day of grain price

decontrol, prices on the grain market throughout the province have been stable. Some state-run grain stores briefly raised the price of Grade 3 rice from 0.45 yuan to 0.48 yuan per 500 grams only to return to the original price when sales stagnated. After the selling prices of fixed quota rice were decontrolled, prices dropped slightly in some cases because of competition.

B) The market is orderly. After grain prices were decontrolled, governments at all levels took effective measures to ensure the basic stability of the prices of the public's daily necessities. Because grain prices themselves have remained stable and the supply of non-staple food like meat, poultry, fish, and eggs as well as industrial goods has been plentiful, the market is booming and prices have been stable. As a result, the market has been orderly throughout.

C) The people's minds are at ease. As the reform and open policies went under way and the economy grew rapidly, workers' wages have gone up notably and consumption patterns have changed, with grain consumption now accounting for a tiny share of total spending. Grain price decontrol, therefore, has not been a psychological shock to the masses.

D) The mix of grains has been growing upscale. At the root of the mismatch between agricultural structure and grain mix has always been the traditional grain pricing system. Thus the decontrol of grain prices has helped change the agricultural structure and grain mix. Judging from this year's early harvest, we can see that price decontrol has been remarkably successful.

E) The mix of crops has shifted in favor of crops that are more profitable. Villages everywhere have been modifying their mix of crops to suit local conditions. In areas which traditionally had extensive state-monopoly procurement tasks, in particular, the acreage under early season rice has been reduced somewhat this year while the amount of land planted with more profitable cash crops like vegetables, fruit, and flowers or converted into fish ponds has gone up correspondingly. The decontrol of grain prices may be followed by a slight drop in acreage under grain cultivation. In the end, though, it would encourage agriculture to become more profitable and more geared to what the market wants.

Changing Socioeconomic Life in Rural Mountain Areas

93CM0012A Beijing ZHONGGUO SHEHUI BAO
in Chinese 8 Sep 92 p 8

[Article by Ouyang Shide (2962 7122 0099 1795): "Several Phenomena in Life in Rural Mountain Area Society"]

[Excerpt] [passage omitted]

First, clan consciousness is gradually strengthening. After the disintegration of the people's commune system, which was "large in size and collective in nature," it was difficult for the village team system to achieve the centralized management functions of production management in which the contracting household took the initiative under the household responsibility system of linking remuneration to output. In addition, the difficulties in providing social services in rural mountain areas are fairly large. In the longstanding closed, backward environment, the passive production under the ossified system of the past obliterated the peasants' consciousness of taking the initiative, forming in them a psychology of dependence and inertia. They cannot rapidly and fully adjust to the change to taking the initiative in management. This psychology of dependence and inertia is attached to a natural regional nature and a clan group. Therefore, the once faint clan consciousness is gradually strengthening.

Because of its parochialism and backwardness, this clan consciousness creates obstacles to the development of rural mountain area society. In economic life, the clan members are limited to the economic interests within the clan, and it is difficult for them to receive information from the outside world, thereby forming a closed-type small economic circle and creating difficulties for the social services and for scientific and technological progress in the rural areas, and adversely affecting the process of getting out of poverty and creating wealth in these areas. In political life, the clan members' trust in the clan often exceeds their trust in the basic-level organizations and cadres. The members in the clan with fairly high seniority often have the power to handle many affairs: those as small as family quarrels and those as large as mountain forest field boundaries. Outside the clan, at a minimum, they repair shrines and tombs, continue genealogical registers and sacrifices, and show off to each other; at a maximum, they contend over field boundaries, fight and tussle with each other, and engage in clan disputes, making it difficult for basic-level organizations and cadres to complete their work, and making ineffective the ideological and political work in the rural areas.

Second, the influence of wealthy households is expanding day by day. The "feelers" of the commodity economy are extending daily into the rural mountain areas. Nimble-minded peasants who are open to new ideas and who depend upon transporting for sale local special products,

medicinal drugs, and wood to become wealthy households account for only 10 percent of the population in the rural mountain areas but hold 50 percent of the money there. On the one hand, the appearance of these wealthy households has had an obviously positive effect in spurring the development of the rural mountain area economy and in promoting the extrication from poverty and the creation of wealth there. On the other hand, because of their quality there have been certain negative effects: in economic life the development of a small number of wealthy households tends toward the mutually exclusive desire for "one part of the people becoming wealthy first and then spurring on the common wealth of the other people," and there is a doubling of illegal wealth. In circulation, agricultural products are purchased as much as possible at low prices, and under the circumstances in which the development in the rural areas of the social services system and the market system is still incomplete, the majority of the peasants know that there is no profit to be sought but that they have no alternative but to sell the agricultural products. In production, because the prices of the means of production have risen, the majority of poor peasant households have to depend on the wealthy households. Because the income from farming is low, they become hired laborers; and because their loans have no collateral, they have to borrow money at high interest rates. A small number of village teams have stopped tilling their own family responsibility plots and have become vagrants who work for wealthy households. In politics, on the basis of their wealth, the wealthy households have begun to entertain the desire to wield power, and members of wealthy households constitute a considerable proportion of the basic-level cadres. After some of them become basic-level cadres, in the distribution of the means of production, the management of production and marketing, and other aspects, they have produced a fairly large bias; in the relationship between the rights and interests of the collective and of the individual, there have also appeared unbalanced phenomena.

Third, the relationship between giving and receiving gifts has become a bond. The village team's economic and management functions are unsound, and the gradually burgeoning relationship between giving and receiving gifts is playing an important role in effecting coordination and unity, and is beginning to form a bond in the life of rural society. The characteristics of this relationship are: (1) It is concentrated in wealthy households. Following the constant development of the position and role of wealthy households in the life of rural mountain area society, the giving and receiving of gifts have also gradually been concentrated in wealthy households. The reason for this is that, in the aspect of production management, the great majority of the peasant households seek the support of the wealthy households. Therefore, the poorer a peasant household is the more it must pay in "consumption" for gifts. This phenomenon of the giving and receiving of gifts tending to become concentrated has also enhanced the position of the wealthy households in the life of rural society. (2) Escalation

toward higher quality. In the past the intercourse in the life of rural mountain areas was, in the main, indicated by a cigarette, a bottle of wine, or a jin of sugar. But, following the daily-growing importance of the role of gifts and the social-climbing psychology in the group, the quality of the gifts has been constantly heightened. The proportion of gifts in the peasants' pay out for consumption is becoming larger and larger, in a small number of localities reaching as high as about 26 percent, and has become one of the heaviest burdens on the peasants. (3) **Becoming a common practice.** In the rural mountain area society, the giving and receiving of gifts has now become an unwritten common practice. No matter whether it is a case of a wedding or a funeral, or a case of production management, unless there are gifts it is hard to get things done. Even if people feel that "gifts are like debts," no matter whether it is a case of giving gifts or receiving gifts, one cannot be tardy in giving or decline to receive; otherwise, one will lose one's position in society. The relationship between giving and receiving gifts imposes a fairly large economic and spiritual burden on the peasants.

Fourth, there is a micro-variation in basic-level activity. In the life of rural mountain area society, the basic-level cadres who exercise power cannot, like the cadres of the production teams of the past, depend on administrative orders by which "a hundred respond to a single call." The basic-level cadres must depend upon their own political quality and production management skills before they can, by the extrication from poverty and the creation of wealth, influence the peasants. Without these forces there occurs a micro-variation in the power they hold. There are three main aspects in this: (1) A trend toward decline. Because of the inadequacy of ideological quality and of production management quality on the part of certain basic-level cadres, the peasants pay no heed to what the cadres say, and the authority and effect of the cadres has begun to decline. (2) A trend toward becoming a commodity. A small number of basic-level cadres make the authority they hold a commodity, and in the life of rural society change authority into money, change authority into material goods, which is also a characteristic of the variation in authority. (3) A trend toward dependency. Because the leadership capability of a small number of village team cadres is weak, and because of the clan relationship, which depends on the geopolitical nature and anastomotic effect of wealthy households, a dependency on authority has been created, which has adversely affected some aspects of rural work. [passage omitted]

Private High School Opens in Beijing
HK3010053092 Beijing CHINA DAILY in English
30 Oct 92 p 3

[Report by staff reporter Xie Yicheng: "Private High School Launched"]

[Text] Beijing's first private high school opened officially yesterday to acclaim from teenagers and the community.

The Beijing Private Zhengze Middle School offers another alternative to students, especially those who failed the entrance exam for senior middle schools but still yearn for a college education.

Jia Weiyin, 74, set up the school on a trial basis in 1987. He noted that each year 60,000 junior middle school graduates in Beijing must enter the work force because they fail the exams required for State-run senior middle schools or professional training schools.

Though Jia's school charges 950 yuan (\$176) for an academic year—almost nine times the tuition in a public school—parents of enrollees thought it was money well spent on a quality education.

While operating on a trial basis, the school achieved great success thanks to its many experienced teachers recruited to moonlight and its diligent students.

This year, 42 out of 52 examinees from the school entered college.

Tao Xiping, head of the Beijing Administration of Education, backed official opening of the school and granted it the same status as State-run schools.

University Trains 34,000 Aviation, Spaceflight Students

OW2710021092 Beijing XINHUA in English 0129 GMT
27 Oct 92

[Text] Beijing, October 27 (XINHUA)—A group of experts and some 34,000 students have graduated from the Beijing University of Aeronautics since it was established 40 years ago.

Its graduates include China's first pilot, Wang An, and the designer of the carrier rocket for the Ausiate, Wang Dechen.

The university has established cooperative relations with more than 30 universities and research institutes in the world. It has also achieved a series of scientific achievements, including the making of China's first light commercial airliner and China's first high space probe.

Since the 1950s it has been one of 16 key universities in China. The university covers a land area of more than 93 hectares. It has 16 departments and colleges with about one thousand professors and associate professors.

QIUSHI Article on Intellectuals Dying Young
HK1809001092 Beijing QIUSHI in Chinese No 15,
1 Aug 92 pp 28-35

[Article by Zhang Jing (4545 4544): "Reflections on 'Death in Years of Youthful Vigor'"]

[Text] I

The greatest misfortune for someone who has made some accomplishments and made certain contributions

is an untimely death before his lofty aspirations can come true. Nevertheless, such misfortune has ruthlessly fallen on some of our very talented middle-aged intellectuals, who were going all out to scale new heights.

The deaths—resulting from the overwork—of two middle-aged experts, Jiang Zhuying [5592 4591 5391] and Luo Jianfu [5012 0256 1133], in 1982 caused a great shock among the intelligentsia as well as the people across China. In recent years, another batch of middle-aged scientists, engineers, writers, artists, professors, and doctors died of illness, one after another; they were Zhang Guanghou [1728 1639 0624], Zhong Jiaqing [6945 1367 1987], Mo Yingfeng [5459 2019 0023], Bao Chang [7637 2490], Jin Naiqian [6855 0035 0578], Shi Guangnan [2457 0342 3948], and so forth. Most of them died in their fifties, and some in their late forties. They were all in the golden autumn of their lives, and possessed talents with much for them to accomplish in their careers. But like silkworms that had their fill of mulberry leaves and were spinning their cocoons, their lives were snatched away by the phantom of illness. "Before seeing victory, he died on the campground, it oft makes later heroes weep with sighs profound!" (Du Fu: "The Temple of the Prime Minister of Shu") True, the untimely death of an intellectual in the prime of life was tragic to the individual and his family, but it is an especially irredeemable loss to the state and society. Just when the motherland's modernization, reform and opening up are in urgent need of talented people, such regret of talents dying in the prime of life is truly heartbreaking.

The conditions surrounding the deceased can be studied by those who have survived them. In the wake of expressing our sorrow and sighing with feeling, the most important point is for us to earnestly contemplate the cause-and-effect relationship in the matter of deaths in the prime of life, drawing from this the experiences and lessons helpful to those who have survived them. In recent years there has been much talk in this respect. Some people blamed it on poor treatment and a hard life; others believed that overwork and an excessive burden did it; still others complained that "intellectuals of this generation have led an extremely hard life, and have always been exhausted; they have endured more hardships and greater ill fate than any other generation"; and some simply posed the question: "Why is it that when the average lifespan in China is 68 years, those intellectuals should have died well under 60? Shouldn't those who have survived the deceased earnestly contemplate this phenomenon?"

True, we should earnestly contemplate it; the broad middle-aged intellectuals, leading members of intellectual-intensive units, and party and government leading departments in charge of work concerning intellectuals should earnestly study and summarize the conditions to acquire comprehensive, in-depth knowledge of the cause-and-effect relationship in untimely deaths of talents in the prime of life, while adopting corresponding measures to reduce such misfortune and losses to minimum.

II

Without a doubt, the recent regretful deaths of talents in the prime of life in China have something to do with the experiences of intellectuals of "this generation." The intellectuals in important posts in various professional arenas today mostly grew up under the party's education in the early days of the PRC's founding. They have a deep feeling for socialism, a warm heart to serve the people, and dedication to the motherland's construction cause. However, in past years when political movements were frequent, many of them were unable to give full play to their talents; furthermore, they went through all sorts of undue sufferings. Now that the times see a reversal of their fortune, they are allowed the environment and conditions for professional studies and putting their abilities to good use. But then, they found themselves approaching their fifties, with hair turned gray. They sighed for the lost time, regretting how little they had achieved, while calculating that there would not be many years ahead for them. To make up for lost time, they decided to double their efforts by working day and night; consequently, both their minds and bodies were in constant, overtaxed operation. In addition, average low income, heavy house chores, constant under-nutrition, and an imbalance between work and recreation among the majority of them were factors that led to poor health, and inevitably the acceleration of the aging process. This generation of intellectuals was approaching their sixties in the late 1980's, and they are getting frail physically, with a rather high incidence of cardiogenic, cerebrovascular, and various cancerous diseases. Should they fall ill without prompt medical treatment, or be overtaxed without proper rest, the ill fate of untimely death would suddenly fall upon them. Obviously, the relatively concentrated and conspicuous phenomenon of untimely deaths of middle-aged intellectuals in the prime of life in China in recent years have some connection with this historical backdrop.

Nevertheless, if we see only, or over stress, the peculiar situation of intellectuals of "this generation," while neglecting the general cause that leads to untimely death in the prime of life, we are liable to simplify the issue and it will not be conducive to its comprehensive understanding. If the problem is confined to "this generation," then, will it be repeated in the "next generation"? If the main cause is low income and hardships, will such phenomenon be avoided with further improvement in their living standards?

If we study the matter a little closer, we will find that untimely death in the prime of life is not a fate peculiar to intellectuals of "this generation," but a long-standing social historical phenomenon. In Chinese history, quite a few of the most outstanding intellectuals died in the prime of life; for example, Zhuge Liang [6175 5514 0081] died at 53; Du Fu [2629 3940] at 52; Liang Qichao [2733 0796 6389] and Lu Xun [7627 6598] at 55. Liang Qichao sighed for the short lifespan of Chinese mathematicians in the Qing Dynasty. Based on his statistics, only two of them lived past their seventies and eighties;

the rest mostly died in their thirties, forties, or fifties. He believed that was one of the misfortunes of China's academic circles. (refer to Liang Qichao: *A Chinese History of Academy Over the Past 300 Years*, Zhonghua Bookstore publication, pp 349-350.) Quite a number of famous scientists, men of letters and artists died in their fifties. For example, Balzac, Morliere, and Ricardo died at 51; Shakespeare, and William M. Thackery at 52; Eugene Sue, Glinka, and Tchaikovsky at 53; Tycho Brahe, Gauguin at 55; Beethoven, and Abrecht Durer at 57; Charles Dickens, Herzen, Paganini, and Henri Poincaré at 58; Flaubert, Stendhal, Heine, Johannes Kepler at 59; Racine, Joseph Dietzgen, and Jean De La Fontaine at 60. Quite a number of famous contemporary foreign scientists, men of letters, and artists died in their fifties, such as the Italian-born scientist (Feimi) [6316 4717], Shoichi Itadam [ba tian chang yi 0978 3977 2490 0001], the famous Japanese scientist of theoretical physics, famous U.S. movie director Ernest, U.S. [as published] movie star Richard Burton, who played the part of Anthony in *Cleopatra*, and famous Japanese woman writer Kazuko Kichisa [ji zuo he zi 0679 0146 0735 1311], and so forth. If we make a detailed calculation of all talents who died in the prime of life, the number could be stunning.

Why should so many outstanding talented people have failed to give full play to their abilities and died an untimely death? Naturally, there are some cause-and-effect connections in untimely death in the prime of one's life in different societies, times, and specialities. But as a long-standing social historical phenomenon, there must be some general causes in common. Then, what are they?

III.

Reviewing the figures in some statistics, the peak of untimely deaths at the prime of life is in one's fifties, and at 55 in most cases. When we look into the causes, it is chiefly due to the fact that this is the age bracket when the contradictions between ability and physical condition, as well as creation and health, are the most acute and liable to intensify.

In the course of scaling the height of their careers, all talents will have to face the contradiction of the overlapping of the golden age of one's ability and the period of physical decline and failure in their compliance with each other. The more outstanding one's ability, stronger the will in pursuit of one's career, greater the goal for creation, the more conspicuous and acute is the contradiction, and greater the liability for such a contradiction to develop to an irreconcilable stage. Fundamentally speaking, untimely death in the prime of life is the consequential intensification of such contradiction.

Generally, the development of man's ability is largely harmonious with his physical development. Adolescence is the period of growth in his ability. Through diligent work, his intelligence grows with each passing day; by middle age, it will have bloomed and yielded fruit, thus

the harvest season begins. Some abilities fall in the physical category (such as athletics and dancing), which calls for agility and flexible, physical strength. The period of preparations for such abilities starts early; correspondingly, their harvesting season arrives sooner, too. Whereas most abilities (such as literature, art, and science) fall in the intelligence category, which chiefly relies on mature and high-level mental power; generally, the best period of creation starts only in middle age. Abilities of the intelligence category call for rather strong mental power with very high requirements for observation, memory, comprehension, induction, judgment, generalization, imagination, and expression; while in middle age, all this is well developed and thriving with great vitality. By then, a solid foundation of knowledge will have acquired, with rather rich experiences gained, a strong and sound body full of energy, while being capable of sustained mental activities of an exploiting nature. Therefore, such condition is the most favorable to tackling bottlenecks, invention, and creation, and the easiest in which to score accomplishments. Viewing the conditions of Nobel Prize winners, we found most of them achieved results in their works awarded with prizes when they were in their thirties or before 50; most men of letters and musicians completed their works that enjoy great popularity in the same period, which is the noon-time of one's physical condition, the prime of one's ability when the two aspects are harmonious, in compliance with each other. That is the golden age for creative labor.

Things change when people are in their fifties, with the contradiction of disharmony between one's physical condition and ability making itself felt and aggravating with each passing day.

Physically, on the one hand, a man's fifties are the period of transition and change "from middle, to old age." In a nutshell, man is part of nature, and is governed by the law of nature, namely, the biological law. After one gets 50, the metabolic function of one's organism is markedly reduced, with decline and aging of every organ after scores of years in operation, while trouble is liable to surface in some parts because of wear and tear and overwork, with their disease-resisting power correspondingly weakened. Modern medicine believes both sexes have menopause, which begins between 55 and 60, and they will easily get depressed and agitated, and will even suffer from involutional complexity, which is also an expression of aging. In a nutshell, in man's menopause, his organism as the material carrier for his wisdom, ability, and talent is beginning to go on a down slide, and is no longer as tough and vigorous as before, when he could stand exhaustion and tempering, round-the-clock hard work, going all out forgetting even sleep and food.

On the other hand, man in his fifties continues to enjoy great advantages of his ability, which is still at its prime. During this period, with the exception of some weakening in his memory, imagination, and receptivity, other essentials of his ability (such as insight, comprehension, judgment, power of expression and abstraction) remain

in the best condition, whereas some essentials (such as comprehension, judgment, and abstraction) can be even better than before because of accumulated knowledge and enriched experiences. This being the case, he can maintain rather high efficiency in his work ability and creation. Especially when some creation that involves the accumulation of voluminous and systematic knowledge as well as long-term, repeated research, its maturity, blossom, fruit-yielding and harvesting season will take place only in one's fifties. We know that Lewis H. Morgan published his *Ancient Society* when he was 59. Kant's famous works "Critique of Pure Reason," "Critique of Practical Reason," and "Critique of Judgment" were all written during his fifties and early sixties. Taylor, who made contributions to capitalist enterprise management, did not publish his work "Principles for Scientific Management" until he was 55. Wiener did not publish his famous "Cybernetics" until he was 54. According to someone's statistics, there were quite a number of scientists who made important inventions in their fifties, accounting for approximately 34 percent. It is precisely because many talents scored rich accomplishments in their fifties that some scientists named this period "the second golden age."

However, the full flourish and greater play of one's ability signify sustained creative labor. Strictly speaking, creative labor is not a profession, but a call, fascination, and dedication, and demands maximum input. It is time, energy, and efforts poured into a bottomless pit. This being the case, it is impossible to follow common life habits and a timetable. Balzac said: It is said that Issac Newton was pondering over some problem one morning; this went on till the next morning when he was found sitting in the same posture meditating, while Newton himself did not even notice that 24 hours had elapsed. There were similar legends about De La Fontaine and Carl. ("Book Series on Translation of Theoretical Works on Literature and Art: No.10," RENMIN WENXUE Publishing House, p. 98) More often than not, there is exaggeration in legends; however, it is habitual that in the height of their creative labor, scientists, men of letters, and artists are forging ahead in great strain, fully occupied in tackling bottlenecks for a long period, cudgeling their brains to evolve some ideas, while forgetting even food and sleep. This could not but be "ill treating" their own organism and involve sacrifice. Just as Wierne said about scientific research: To do one's utmost to find a solution to any problem, and not to be overwhelmed by difficulties, one has to pay a price of physical and spiritual pain. "It is impossible for a weakling to pay such price, which could be fatal." ("Genii in History," publication of Shanghai Science and Technology Publishing House, p. 261) If before 50, one could stand torments of such "price of pain," then, after 50, working continuously, going all out as before is liable to lead to pathological changes, which culminate in a crisis to the entire organism.

We often say: In doing anything, the subjective must comply with the objective; otherwise, one will come to

grief or suffer defeat. It is precisely because of the subjective falling out of line with the objective, a "mistake" that talented people in their fifties are wont to make in their striving for still higher goals in creation, that they are often driven to overtax their aging organism. This is the "most frequent mistake," because at this juncture, the creative urge is the strongest among them. However, they often lack understanding and consciousness of the fact that their organic aging process has already begun. A strong urge for creation is the most precious character of talents. It is precisely for creation that ability grows. To talented people, the thirst for creation and scaling new heights is far greater than the pursuit of happiness and good health. Both Shakespeare and Balzac spared no efforts and health to go all out in their work to create a still wider artistic world; consequently, they died of exhaustion when they had just passed their 50th birthday. When he was 40, Charles Dickens said: "Now I find myself unable to rest; I'm deep in the belief that should I spare myself, I would go rusty, busted, and die. It's far better to die in the middle of one's work." (*Biographies of Famous Foreign Writers*, publication of China Social Sciences Publishing House, p 260) It was precisely driven by such a strong urge for creation that he wrote diligently; furthermore, he often went on stage to give performance in recitation. Because of overwork and poor health, he suddenly passed out during a recitation, and died at the age of 58. Was it not the same with some people who died an untimely death in China? At the age of 54, Jin Naiqian crawled on ice and laid on snow in Antarctica and performed the toughest feat for new artistic creation. Fan Rongxiang [2455 2837 5046], a descendant of the Qiu [5941] school of Beijing Opera, was 60 when, after having just been released from the hospital after a cardiac surgery, he persisted in giving performance on the stage despite others' advise that he should retire and spend his old age in peace. He said: "I would rather die on stage than in my comfortable nest." Eventually, he was exhausted from performing with illness, which led to a relapse and he died for art's sake. To those people who regarded their careers as primary life and need, to give play to their abilities, complete their creation, and scale the peak is above all else; even when they knew creation would jeopardize their health, they would sacrifice it rather than creation. In this sense, they were martyrs to creation, and Promethean heroes.

Man's consciousness often lags behind existence. It is especially so on the matter of "aging." The "transition from middle to old age" is a gradual process. It is not obvious at first, nor is it easily detected, and one is even unwilling to admit it. Although the organism has sent out various signals (such as blurred vision, gray hair, and diseases), one would encourage oneself with the ancient teaching, "being old but vigorous," "old age creeps in when lofty aspirations are unfinished; should Death comes, one would still be a hero among other ghosts." (Lu You [7120 3266]: "Shi Feng") Great ambition and soaring aspirations without knowledge or acknowledgement of old age dawning is the mentality shared by many

talents in their "transition from middle to old age." In such a mentality, they often overestimate their organic capacity, being too optimistic and self-confident in their own health, while paying little attention to healthy measures such as rest, sports, recreation, nutrition, and constant health checks. But continuing their habits cultivated in their youth and middle-age, such as burning the midnight oil continuously and excessive smoking, which are negative to one's health and aging, and will even be a catalyst to a life crisis. Take Poncare, the French mathematician for instance. He did not feel well at the age of 57, and found himself not so energetic as before, but he was unwilling to drop the work in hand and take a rest, lest he should bury the new ideas evolving in his mind. Instead, he went on writing his theses and delivering speeches. Soon he became seriously ill, and suddenly died of apoplexy the very next year. Mo Yingfeng [5459 2019 3932], the author of "Ode to the General," which was awarded the Mao Dun Prize for Literature, used to have a strong physique and was a very energetic "tough guy." He was driven by a strong urge for creation, and wrote day and night, while indulging in smoking and drinking; in addition, he was over-confident in his own health and had twice torn to pieces his health-check forms, saying that he would never fall ill; unfortunately, he died of lung cancer when he was just past 50. The great enthusiasm for creation and courageous enterprising spirit of those people who died an untimely death are always an example for us and worth our admiration. However, when they were so bent on making progress that they neglected their physical and mental fitness—and in the age bracket which most calls for attention to health—they showed little care. That is a lesson that should be summarized and drawn.

From the above, we can see that regarding those talents who are going all out to scale the peak, the fifties are a dangerous period. Before 50, their bodies are healthy and strong. Although there is contradiction between one's ability and health, generally, it is not conspicuous. After 60, one's health will markedly decline, with greater frequency in contracting illness, and one's sense of "aging" and "health concept" is augmented; one's urge for creation and spirit of going all out is reduced in their intensity or repressed; one's habits and indulgences that would jeopardize health have somewhat changed or been given up; in addition, one's menopause is over, and the organism has largely completed the transition and adjustment "from middle to old age"; thus, the contradiction between ability and health is relaxed with the possibility of achieving steadiness and harmony on a new basis. Whereas in one's fifties, on the one hand, the contradiction between one's thriving ability and organic decline is an objective existence; on the other hand, the strong urge for creation and unawareness of the beginning of organic decline more often than not aggravates and intensifies the contradiction. This is the most general but most profound cause for the untimely deaths of those in their fifties. With knowledge of this point, it will not be too difficult to explain why people with greater ability were most liable to suddenly fall ill and die in

their golden autumn, and why some experts and scholars abroad (and in China as well) could not escape the ill fate of untimely death before their high aspirations come true despite their high income and living standards.

Nevertheless, a general cause of a common nature is always contained in individual peculiar causes. What accounts for the fact that China has a rather high untimely death rate of middle-aged intellectuals are two long-standing factors that should not be neglected aside from the aforesaid recent backdrop. They are the rather low level of material living conditions of China's intellectuals, and in connection with this, their relatively weak constitution. Mr. Zhu Guangqian [2612 0342 3383] indicated: Compared with Europeans and Americans, the Chinese always grow old before their time. "The Chinese nation is not any inferior than Westerners in wisdom and intelligence, but in academic accomplishment, more often than not, we lag behind them. True, the causes are manifold, but the most important is our weak constitution." (*Collected Works of Zhu Guangqian*, Vol. 4, Anhui Educational Publishing House, p 131) He referred to the conditions in the old society. Today, our material living conditions, constitution, and health conditions are better than the past, but there is still a gap between China and developed countries. Such a gap is not shaped in a day, nor can it be completely filled in a short period. Most Chinese intellectuals are willing to work hard and overcome difficulties. Just like it was in an ancient saying, "Being poor but firmer in one's will, never give up one's lofty aspirations," their work intensity and efforts often rank top in the world. In mountaineering, our mountaineers are climbing and forging ahead with poorer constitution and supplies. Is it not true that this has incurred greater incidence of illness and a higher percentage of sacrifices among them? This being the case, if the fifties are a "dangerous period" for all talented people, the danger will be still greater for Chinese experts and scholars, and research in how to pass this "dangerous period" safe and sound is all the more important and pressing.

III.

To understand the world is to transform it; to analyze the cause- and-effect relationship of untimely death in the prime of life is to "suit the remedy to the case" to reduce misfortune. If the analysis above is correct, then it is imperative for both the individuals and society to jointly adopt measures and make efforts to reduce untimely deaths in the prime of life.

Primarily, middle-age intellectuals should pay great attention and correctly handle the contradiction between creation and health. Especially when they have entered the "dangerous period," it is all the more important for them to pay attention to correct the tendency of burying their heads in creation, disregarding their health, and to adopt effective measures to prevent the contradiction from intensifying. Here, we must grasp the following links:

Adherence to sports and physical exercises. In history, there were many outstanding talents who enjoyed longevity and were prolific in their work; a very important cause was their conscious improvement in their constitution through sports and physical exercises. Victor Hugo, Bernard Shaw, and Leo Tolstoy were all sports lovers. "Life is in movement," with growth in one's age, the important meaning of this epigram is increasingly making itself felt. If our middle-aged experts and scholars could select one or two forms of exercises, such as mountaineering, swimming, Taiji, and Qigong, based on their own environmental conditions, and persist in doing so for a long while, that would be the most important insurance for passing the "dangerous period" safe and sound.

Attach importance to striking a balance between work and rest. To score greater achievements, more often than not, many middle-aged intellectuals know only work but no rest; they would "cover a longer distance in haste before it gets dark," as a popular saying goes. Consequently, they became physically and mentally exhausted, and fell ill because of overwork, like a bow being pulled to the extreme, the string attached to both ends would break under the over-strained condition. Creation calls for diligence, hard work and forging ahead; however, sustained diligence and hard work are preconditioned by ample rest, and forging ahead effectively must be prerequisite by being good at acquiring vigorous energy through rest. Only when the dialectical relationship between these two aspects is well governed will it be possible to extend the period of creation to a maximum.

Paying attention to nutrition. Creative work causes strained and intensive activities of related organs, and inevitably increases energy consumption. With greater output, there must be greater intake. Many Chinese middle-aged intellectuals have sustained the fine tradition of hard work and overcoming difficulties; they go all out to forge ahead in their careers, but their personal lives are extremely simple and plain. Because of long-term under-nutrition, the energy consumed has failed to be recharged, and would lead to constitutional deterioration and consequential illness. This is a lesson that must be remembered.

Cutting back artificial harm done to the organism. Quite a few very talented people in history were unable to make full use of their abilities; one of the reasons was their health was impaired by bad habits. People often believe that smoking and drinking are the best companions to talent, and good friends to creation; in actual fact, they eventually turn into worms in the organism, and sworn enemy to health. It was precisely because of excessive smoking that Lu Xun contracted a fatal disease in the lungs. Just as Tang Sou [0781 1718] put it: "Should Lu Xun have given up smoking earlier, he could have avoided an untimely death." The untimely death of Mo Yingfeng also had something to do with his "addiction to smoking and drinking." Because these two habits are rather universal, their effects are worth the vigilance of our middle-aged intellectuals.

Man as a biological being will inevitably grow weak and old with the advance in age and wear and tear in work. Strictly speaking, there is no panacea for preserving youth. But by grasping the four links mentioned above, we can really improve our constitution, resist diseases, and slow the organic aging process, so that the contradiction between creation and health can be eased and the incidence of untimely death in the prime of life greatly reduced.

Untimely deaths in the prime of life are society's malign loss of talents, and how to reduce such loss to the minimum should rouse concern of all aspects in society.

In the untimely deaths of Jiang Zhuying and Luo Jianfu, people in their grief appealed to the whole society to show greater concern for those people who had worked just as hard as Jiang Zhuying and Luo Jianfu and survived the two. Just as Marshall Nie Rongzhen pointed out referring to their untimely deaths: "Intellectuals like Jiang Zhuying and Luo Jianfu were fine representatives of China's contemporary intellectuals and precious treasures of the party and the state. We grieve over their untimely deaths, but more importantly, our party and government leading cadres at all levels should show great care and concern for thousands of other surviving intellectuals like Jiang Zhuying and Luo Jianfu." (HONGQI, 1982 No.12) This requirement which Marshall Nie set out 10 years ago remains an important topic for the administration of talented people and work concerning the intellectuals today.

We must see that deaths in the prime of life cost us the pillar forces that play the backbone role in various arenas, who were the most skillful and the cream of social productive forces (both material and spiritual). A survey shows that most middle-aged scientists and technicians who died an untimely death in recent years were in leading posts in their units or departments, team leaders of certain topics, or persons in charge of some important project. Their untimely deaths have already impeded some important scientific research projects. In recent years, the continuous untimely deaths of middle-aged professors and assistant professors in some institutes of tertiary education have seriously affected teaching tasks. According to a GUANGMING RIBAO report, between early 1990 and 5 March this year, the paper carried 72 items on deaths of intellectuals at and above assistant professor and senior lecturer level, 452 of them all told, of whom 87 were below 60 years of age, accounting for over one-fifth. (refer to GUANGMING RIBAO, 10 March, 1992.) The number is far greater as to intellectuals who are in poor health or seriously ill and have affected work. An ancient saying goes: "It takes 10 years to grow trees but a hundred years to rear people," which tells the difficulty in bringing up men of ability, especially senior qualified people. It often takes 10-20 years for practice in speciality and the price of hard work to reach maturity. When they eventually grew up at great cost, they died in days of their maturity and fruit-yielding period. This has not only reduced the quantity of social creative force, but will affect its quality,

resulting in our losing voluminous high-quality, "famous-brand" products. The practical experiences of talented experts and scholars are the "hormone" and "nutrient" to social creative force, and precious spiritual wealth of society. The loss of such wealth resulting from failure in prompt summarization and passing down experiences owing to untimely deaths is quite beyond calculation. To resolve the problem of qualified people, it is necessary to accelerate cultivation and cut back drain and wastage. Now people have a clearer picture of the seriousness of brain drain, but lack sufficient understanding in deaths in the prime of life. The loss incurred in brain drain is relative (the majority of those who left the country will return some day), but the loss by deaths in the prime of life is absolute, and irredeemable.

To blame untimely deaths in the prime of life on "poor treatment and hardships in life" is a onesided view. However, rather poor material treatment and living conditions are factors that affect the physical and mental wellbeing of some middle-aged experts and scholars. Creative work means "cudgeling one's brain" and "painsaking efforts," which call for sufficient calories, especially enough protein. However, limited by their economic condition, some middle-aged experts and scholars used to be in constantly lack of protein. That affected efficiency of mental labor; furthermore, from a long-range view, it would affect the health and lifespan of the entire organism. Living conditions should include the improvement in such conditions as rest, recreation, exercises, medical care, and housing.

Relaxation, recreation, and exercises are necessary after strained work. However, lack of sites and installations (such as a recreational club, swimming pool, ground for ball games, and gymnasium) make such activities out of the question; furthermore, many people have to deal with heavy house chores, and are not in the mood for such leisure. Many units are poor in medical service, and "seeing a doctor" could involve great difficulties. Often, some middle-aged intellectuals who have contracted chronic diseases were not promptly treated or allowed proper rest, thus minor complaints would develop into serious illness due to delay; or in some cases, they failed to undergo regular health checks, thus the treatment of some difficult and complicated cases were delayed. To protect talented people, and reduce the incidence of untimely death, it is necessary to improve their personal material treatment in a big way along with economic development. Awards and prizes in all forms should be conferred those who have made contributions. In addition, it is necessary to increase input in sites and installation for health-preserving purposes, such as amusement, sports, and medical services. In localities and departments where senior intellectuals are intensive, special attention should be paid to construction in this aspect. Improvement in the material and living conditions of the intellectuals involves some time, because of restriction in various objective conditions. However, regarding those issues that the intelligentsia urgently hope for resolving and are capable of doing so, they

should be grasped firmly and resolved; those middle-aged experts and scholars who have abilities and have made some contributions should be given priority in improving their living conditions.

Both historical experiences and realities show: Overwork is the universal cause that leads to untimely death in the prime of life. Some of our intellectuals are engaged in scientific research (or teaching) while taking up leading posts in administration; they have "burdens on both shoulders." Others, under the condition of having "burdens on both shoulders," have taken up additional lectures, exchanges, and other social activities, and that is all the more liable to lead to overwork and exhaustion. Especially those who have some reputation in their own units or society are liable to work at concurrent posts, with their administrative and social burden overloaded. Because the limited daytime is often diverted and occupied, to fulfill tasks according to schedule and to present academic results, they have to "make up for lost time at night," and work overtime, relying on smoking and drinking as stimulants to pursue scientific research and writing. Beyond a doubt, that means disasters piling up on one another to the exhausted organism. In view of this, middle-aged intellectuals should primarily attach importance to strike a balance between work and rest, act according to their abilities, avoid a fully-packed schedule, and being overtaxed. At the same time, families and society should cooperate and show concern for them. Especially the leadership of the units where those intellectuals work should augment administration of middle-aged experts and scholars who have abilities. While attaching importance to giving play to their enthusiasm, the leadership should pay great concern and protect their health, refrain from assigning them too many concurrent posts, see to it that their social burden is not excessive, urge them to take health checks on time, and create conveniences for their exercises, recreation, rest, nutrition, and medical care.

Some cases of death in the prime of life have demonstrated: Overloaded spiritual burden and psychological pressure is also an important factor that induces illness and impairs health. When a person braces up, with ease of mind, the bearing capacity and immunity of his organism are strong; on the contrary, if he is spiritually depressed, moody and anxious over a long period, the vigor of his organism is weakened, and he is liable to contract illness. Since the Third Plenary Session of the 11th Central Committee, our party has corrected past "leftist" errors, shown respect for knowledge and qualified people, implemented various policies for the intelligentsia, and opened up vast space for the intelligentsia to give play to their abilities in modernization, reform and opening up. Generally, the broad intellectuals have braced up with ease of mind. However, for various historical and realistic reasons, it is not entirely satisfactory in showing respect to knowledge and qualified people, and policies for the intellectuals have not been implemented to the full in some aspects. For example, in recent years the surfacing of the phenomenon of income

derived from physical and simple labor being higher than mental and complicated labor has pounded at the intelligentsia's psychological balance, especially some middle-aged intellectuals who have abilities and have made some contributions. For another example, the assessment of professional titles of intellectuals corresponding to their professional abilities and academic levels is an important essence in showing respect to knowledge and qualified people; but owing to limited quotas or failure in getting rid of the effects of making decisions according to qualifications and seniority, some units have prolonged the years in waiting for the assessment of professional titles (especially senior professional titles). This means invisibly pushing back the social recognition of their abilities and levels, and is not conducive to giving play to their enthusiasm, and liable to increase their spiritual burden and psychological pressure. The broad middle-aged Chinese intellectuals boast the tradition of hard work and overcoming difficulties; it is often the case that the greater ability one has, the more they see work as the primary need in their life, and they do not care very much for material enjoyment, good reputation and position. However, just as a popular saying puts it, "One's five fingers are not exactly of the same length." When practical problems come up, one may feel moody and in psychological imbalance. Furthermore, some of them have strong material desires, others are strained in human relations, still others have outstanding family contradictions, and some have housing difficulties, which bring problems in work and rest; all this will shape into spiritual burden and psychological pressure. While we are working hard to help middle-aged intellectuals to resolve some practical problems, if we could do in-depth, meticulous, ideological and political work, help them iron out sentiments, relieve their troubles, and ease their psychological pressure, that will play an important role in keeping them physically and mentally fit and disease resistant. Presently, some provincial and city leading members are taking the lead in doing substantial work and adopting powerful measures for senior intellectuals, such as opening "special beds for senior intellectuals in hospitals," collecting special items of funds for building houses, establishing funds for academic writing to help them resolve difficulties in "medical service," "housing", and "have their works published." At the same time, they have set up a system of establishing constant ties to do in-depth ideological, political work, actively show concern for their thinking, work, studies and life, and relieve them from anxieties and difficulties. Such experience is worthy of advocacy and popularization.

State Education Commission on Raising Funds

OW1009063492 Beijing XINHUA Domestic Service
in Chinese 2109 GMT 6 Sep 92

[Text] Beijing, 7 September (XINHUA)—The State Education Commission today issued an announcement on "Raising Education Funds Through Various Channels To Improve Conditions for Running Schools." The full text follows:

Since the Third Plenary Session of the party's 11th Central Committee, especially since the issue in 1985 of the "Decision of the CPC Central Committee on Reforming the Educational System," party committees and governments at various levels have attached great importance to educational work and put reform and the development of education in an important strategic position. They have conscientiously implemented the principle of "people's education run by the people for their own interests" and persisted in raising education funds through various channels. As a result, remarkable changes have taken place in middle and primary schools in our country, and conditions for running schools have greatly improved. Now middle and primary schools in most parts of the country have achieved the purposes of each school having no dangerous buildings, each class having its own classroom, and each student having his or her assigned desk and chair. According to incomplete statistics, 106.6 billion yuan was raised through various channels from 1981 to 1991 to improve conditions for running middle and primary schools. Of these funds, the state appropriated 35.7 billion yuan and society raised and donated 70.8 billion yuan. With the funds, 672 million square meters of middle and primary school buildings were repaired, built, or rebuilt. As a result, the proportion of dangerous middle and primary school buildings decreased from 15.91 percent in 1981 to 1.6 percent in 1991; and the proportion of dangerous school buildings in 13 provinces (autonomous regions and municipalities) dropped to less than 1 percent. An additional 116 million sets of desks and chairs were purchased. At the same time, teaching instruments, books and reference materials, recreational and sporting equipment, and campus facilities in more than 800,000 middle and primary schools increased in varying degrees. The changes which have taken place in our middle and primary schools, improved conditions for running schools, and the fulfillment of the tasks of each school having no dangerous buildings, each class having its own classroom, and each student having his or her assigned desk and chair are the results of the great strategic importance attached by party committees and governments at various levels to education and the great efforts made by them in this regard as well as of the great contributions made by various circles, the broad masses of people, Hong Kong and Macao compatriots, and Overseas Chinese in supporting education. These great achievements will go down in the history of educational development in our country.

In elementary education, we are faced with the arduous tasks of giving effect to nine-year compulsory education, basically eliminating illiteracy among young people, implementing the party's educational policy in an all-around way, and comprehensively improving the quality of education in the 1990's. Present conditions for running elementary schools have yet to meet the requirements for accomplishing the above tasks. For this reason, we must conscientiously implement the guidelines set forth in the speeches made by Comrade Deng

Xiaoping during his south China tour, continue to accelerate education reform, continue to improve mechanisms for raising education funds, and further improve conditions for running schools. We should strive to bring elementary education in our country to a new stage by the end of this century.

QIUSHI on Opposing Party Corruption

HK1508080292 Beijing QIUSHI in Chinese No 11, 1 Jun 92 pp 44-46

[Article by Zhang Leike (1728 7191 0344) of the CPC Central Committee Discipline Inspection Commission: "Oppose Corruption, Develop Good Party Style"]

[Text] In a speech he gave when inspecting our country's southern regions not long ago, Comrade Deng Xiaoping pointed out that we will have to oppose corruption throughout the entire process of reform and opening up. As far as cadres and communist party members are concerned, the building of a clean administration must be grasped as a major matter. In the new situation of reform and opening up, we must correctly understand and view the various corrupt phenomena which have appeared within the party, adopt powerful measures to firmly eliminate corruption, and strengthen the building of party style and party discipline of our working class party which holds power. Only thus will we be able to ensure that our party is able to further shoulder the heavy responsibilities of leading socialist modernization.

Firmly and unwaveringly developing the struggle against corruption is determined by the CPC's nature, aims, and goals of struggle. Our party is the working class political party which struggles for the people's interests and it has as its aim wholeheartedly serving the people. Apart from the interests of the broad masses of people, the party has no other interests to seek. In upholding the party's aims, we must oppose all actions whereby people use the power of their posts to seek private interests. Our party is also a party which has established the long-range goal of building socialism and realizing communism. These great aspirations, noble sentiments, and long-range goals are diametrically opposed to and incompatible with the egotistical and befuddled philosophy of life which involves the shameless seeking of personal gain and pursuit of reputation or benefits. Thus, the various sorts of corrupt activities will not be tolerated by the party's nature, aims, and goals of struggle; and we must firmly oppose and eliminate them.

Unwaveringly engaging in struggle against corruption is also necessary if we are to implement the party's basic line in an overall way, tightly grasp the central task constituted by economic construction and develop the social productive forces as quickly as possible. Implementing the party's basic line of "one focus, two basic points" requires that the whole body of party members engages in socialist modernization with a high degree of consciousness and great concentration. They must, with a spirit of dedication and an earnest attitude, work in a

selfless way and spur on the broad masses to build our country into a rich, strong, democratic, and cultured socialist country. All sorts of corrupt activities are corrosive elements of the party contingent and are major obstacles to deepening reform, expanding opening up, and speeding up economic construction. If corruption is not eliminated, it will be difficult to win the people's hearts or produce any cohesion by which to unify the people so that they struggle with one heart and one mind. If we do not eliminate corruption, it will be difficult to maintain the correct orientation of reform or ensure that reform and opening up develop in a healthy way. It can be said that if we do not put great efforts into reducing corrupt phenomena to their lowest degree and finally eliminate corruption, it will be impossible to smoothly carry out reform, opening up, and economic construction.

Unwaveringly developing the struggle against corruption is tightly linked with the fate of the working class party which holds power, and is a major matter in the life or death of the party. Comrade Jiang Zemin, in the speech he gave at the meeting to celebrate the 70th anniversary of the CPC's establishment, warned us: "Party style is an issue which will affect the life or death of the party. If we allow corrupt phenomena to develop, the party will move towards self-destruction." The occurrence of corrupt phenomena within the party directly harms the party's image and prestige, and harms the relationship between the party and the masses. Further, in the complex international and domestic environments, the existence of corruption produces a handle by which hostile forces can attack the party. "Something must first go rotten before the maggots appear." A large number of examples show that if we want to truly ensure that our party can pass the tests of being in power; of reform, opening up, and developing the commodity economy; and of opposing peaceful evolution; and want to ensure that we can maintain and safeguard the party's position in power and can stand in an invincible position in the ever-changing international environment; and if we wish to truly ensure that our party has flourishing vigor and vitality and can become a firm leadership core for China's socialist modernization, we must persist in carrying out the struggle against corruption and grasp this work tightly and well.

In carrying forward the struggle against corruption under the new historical conditions, and strengthening the building of party style and clean government, there are many matters to attend to, there will be overlapping contradictions and the problems will be complex. We must further raise ideological understanding, strengthen consciousness, and resolve and properly handle the various problems and contradictions met with in the process of opposing corruption to ensure that this work is developed more solidly and effectively.

At present, what is the situation of the corrupt phenomena which have appeared within the party? How serious have they become? These are questions on which there is not a sufficiently uniform opinion. For various

reasons, the struggle waged to correct unhealthy practices and root out corruption over the last few years has gone through setbacks and complications. Added to this is the fact that the obstinacy and permeability of the unhealthy practices and corrupt phenomena can quite easily give people false impressions, so that people have felt that corrupt phenomena exist everywhere and have reached a "disastrous" situation. We need to set down accurate boundaries for unhealthy practices and corrupt phenomena, and gain a full understanding of them on both the "qualitative" and "quantitative" levels. We cannot just see unhealthy practices or corrupt phenomena as one "basket" and, regardless of the problem, throw them all into it. In fact, problems which occur at one time or at one place will not necessarily become trends. General mistakes and errors cannot be equated with unhealthy practices and much less can they be equated with corrupt phenomena. There are also quite major differences between unhealthy practices and corrupt phenomena. If we correctly distinguish and discriminate between these various things, we will be able to observe that corrupt phenomena, that is to say, the degenerate and corrupt activities which exist within the party, are few in number and small in volume. Also, they only occur in a few areas among a small number of people or just a few individuals. Speaking overall, our party is still the vanguard of the working class, the vast majority of party members are good or quite good, and the main aspects of party style are healthy and have been affirmed by the people. If this was not the case, it would be impossible to explain how our country's socialist modernization has realized such huge achievements under party leadership, there would be no way to explain why selfless heroes and models continually emerge from among the 50 million party members, and there would be no way to explain how, in the face of the biggest natural disaster of the century, party organs at all levels and the broad masses of party members brought into play their great roles as powerful fighting forces and advanced models. Just because today a few negative and corrupt phenomena have appeared in the party, we must not fail to recognize that the general trend is good. However, likewise, just because the general trend is good, we cannot ignore or look lightly on the problems which exist. The reason we have treated the problems seriously and assessed the difficulties quite harshly is so that we will be more determined and so that we can use more powerful measures to eliminate the corruption. However, when analyzing and looking at the corrupt phenomena and unhealthy trends which objectively exist, we must treat each thing as its stands and not exaggerate or underestimate it. We must make efforts to avoid one-sidedness and dogmatism.

Related to this is the question of whether or not we have confidence in clearing away corruption. There is an opinion that corruption has already reached the stage of being an "untreatable disease" and it is as if there is nothing which can be done to get rid of it. Actually, under the new historical conditions, the struggle against corruption will be arduous, complex, and long-term. In

various senses, this will be even more difficult than the real battle of class antagonism. However, the decisive factor lies within the party itself, and that is that the nature of the party, as the vanguard of the working class, does not change. The struggle against corruption led by our party in recent years has enlightened people and now our party has a sober understanding of problems which exist within it, as well as a capacity for purifying itself. We need to firmly carry forward democracy, implement supervision both within and without the party, strengthen ideological and political work, guide the broad number of party members to strengthen the tempering of their party spirit and the cultivation of their workstyle, actively strengthen the building of institutions, plug the various holes and cracks which allow the emergence of corruption, adopt powerful measures, examine and handle a number of cases involving violation of law and discipline, resolve some of the outstanding problems which are of major concern to the masses, and control and rectify some professional unhealthy trends so that the building of party style and clean government sees quite great development and realizes obvious results. In brief, in the new international and domestic environment, our party is paying more attention than at any time in the past to carrying out the struggle against corruption. We can believe that if we grasp this work firmly and in a sustained way, the party's body will certainly become more healthy daily.

There is another problem and that is, in the struggle to oppose corruption, how are we to look at the relationship between the "upper and lower beams"? "If the upper beam is not straight, the lower beams will go aslant." If the leaders set a bad example, the lower levels will follow them in doing bad things. Party members or party cadres can, in relation to the upper levels, be called the "lower beams," while in relation to the lower levels and the masses outside the party, they are the "upper beams." This requires that every party member and every party-member cadre consciously set a good example. They must not, as soon as corruption is mentioned, gaze upwards. As far as party-member cadres are concerned, regardless of what level of cadre they are and regardless of whether they are "upper" or "lower beams," they all have their own unshirkable major responsibilities. As party-member cadres, they must first look at themselves, start with "me" and subject themselves to firm discipline, as only thus will they be able to play a role as model and example in opposing corruption. If our cadres at all levels are able to take the lead and set an example, not only ensuring that their own actions are pure and clean, but taking the lead in resisting and opposing corrupt phenomena, we will be able to use the healthy to drive out the unhealthy and do well in building party style and clean government.

In developing the struggle against corruption, our party has already adopted a series of major measures. How are we to ensure that we are not unworthy of the hopes placed in us by the party and the masses, and ensure that this struggle realizes more satisfying results? If we sum

up past experiences, we must continue to mobilize the strengths of the entire party and the entire society, adopt comprehensive improvement measures, set to work on all fronts, grasp all work together, and fight an overall and sustained battle against corruption. Specifically, we should continue to stress the following aspects and do well in this work:

1. We must earnestly implement the policy of firmly administering the party and rigorously investigate and deal with violations of law and discipline. The various sorts of corrupt phenomena are actions which violate law and discipline, while violation of law and discipline cases are centralized manifestations of corruption. Only by earnestly investigating and handling these major and serious cases will we be able to put a fright into unhealthy trends and evil practices, gain the trust of the people, and produce influence and appeal. Thus we must, as before, grasp tightly and well the work of investigating and handling cases, and especially cases involving leading cadres. Even more importantly, we must exclude interference from persons trying to intercede in the cases, be impartial and incorruptible, investigate fully, and punish without mercy.

2. We must seriously resolve the "hot" problems which are of concern to the masses. The so-called "hot" problems are actually problems which reflect the masses' opinions in a centralized way and which they are very concerned about. They are quite typical and centralized problems of corrupt phenomena and unhealthy practices. These are key problems which must be grasped in opposing corruption and correcting unhealthy practices. Only by seriously looking at these problems, mobilizing forces, adopting measures, firmly acting, seeking real results, and properly resolving these problems one by one will we be able to effectively control and eliminate the "focus" of the corruption. Also, only thus will we be able to give the masses quite satisfying answers and thereby mobilize their enthusiasm.

3. Tightly linked with the deepening of reform, we must strengthen the building of the legal system and other institutions and perfect a supervision mechanism. The reasons for corruption are numerous, but an important element is that the legal system is not complete and the institutions are not perfect. The actual situations show that the problems which exist in the legal system and other institutions are a major cause of unhealthy practices and corruption, and are also a major reason why it is difficult to suppress these phenomena. Not long ago, when Comrade Deng Xiaoping was inspecting the southern regions of our country, he forcefully pointed out that the building of clean government had to rely on the legal system, and with a legal system it would be more reliable. In the present situation of continued deepening of reform, we must begin by strengthening the legal system and building up other institutions, reforming the irrational aspects of the existing systems, and establishing and perfecting various effective institutions and laws and regulations. In particular, we must put stress on doing well in establishing and perfecting

various types of supervisory systems both within and without the party and on establishing mechanisms for restraining power and gradually eliminating the soil and conditions which produce unhealthy trends and corrupt phenomena.

4. We must firmly grasp ideological education. On the basis of the new characteristics of the new period, we must adopt different forms by which to engage in ideological education of the broad number of party members and cadres. This will include education in party style, in party discipline, in party ideals and goals, and so on. Through education we will assist and guide the broad number of party members to establish the concepts of building a party to serve the people's interests and holding power for the people, and effectively guard against corrosion by various types of decadent ideas. And,

5. We must strengthen the building of party member and cadre contingents. In particular, we must do well at two junctures. The first is "import." We must select and appoint cadres strictly in accordance with the party's standards for cadres, and make an honest workstyle and clean administration basic conditions for promotion of cadres. We must guard against situations where people use their power for personal goals. The second is "export." In respect of those cadres who have clearly engaged in improper practices or corrupt actions, those who should be removed from their leading posts must be firmly removed, while those who should be subject to party or government disciplinary punishment must have this punishment firmly meted out to them. We certainly must not be soft on them. Such actions are necessary to maintain the purity of the party's cadre contingent.

New Features of Bribery Cases

92CM0406A Beijing FAZHI RIBAO in Chinese
6 Aug 92 p 3

[Article by Fang Yu (2455 3768)]

[Excerpt] [passage omitted]

1. Details of bribery cases are rather complex because they generally involve agreements to shield the parties involved. Except for a small number of cases in which one demands a bribe, there is no distinction between the opposing interests of an injured party and a solicitor. There is only a distinction between the briber and bribed, who will stand together through thick and thin. Although whoever introduced the briber actually benefits as well, all parties are both benefactors and objects of legal inquiry. Because common interest is the basis of their alliance, neither party would rashly expose the other and bring disaster upon himself.

After a bribery, the bribed party generally counts on concealment and refuses to admit guilt. The briber fears losing a vested interest if he is brought into the crime. Fearing retaliation, some implicated insiders refuse to testify. In the course of investigating and handling a

bribery case, the briber and bribed may also collude to tally their confessions, hide the spoils, and seek to avoid investigation. Some bribery cases occurred rather long ago. Time has often long passed and circumstances changed by the time they are investigated. The accused refuse to testify, or contradict themselves. Witnesses forget details or testimony. Some cadres in leadership positions appear personally to intercede or else they interfere surreptitiously. The aforementioned all complicate bribery cases and make it difficult to discover the truth.

2. Evidence regarding the time and place of bribery cases is insubstantial. Most briberies are undertaken solely between the briber and bribed. They seldom involve a third party. The two link up together, are on the alert for each other and go all out to leave no traces of their actions. Some of the bribed take all measures to counter an investigation. Furthermore, in order to make the bribed accept their offer, by hook or by crook, bribers always pander to the thinking of the bribed to strengthen the bribed's consciousness of the crime. This makes collecting evidence and reaching a verdict difficult.

3. False fronts are put on, and policy and legal loopholes found. To prevent investigation of bribery cases, sly handles are often created to put up a false front to cover the crime. The briber and bribed often act under the name of borrowing, purchasing agents, trial runs, gambling, and so on.

Furthermore, some criminal elements who engage in bribes utilize certain policy and legal loopholes, making it hard to determine criminal behavior.

(1) Under certain conditions, it is difficult to differentiate bribery and gift giving under civil jurisdiction. Seeking to evade investigation, some bribers often act under the name of gift giving. In judicial practice everywhere, some cadres use marriages and funerals as occasions to take in huge amounts of gifts. Some can receive envelopes and packages worth several 10,000 yuan on one occasion. At New Year's, some labor contractors and individual households call at the homes of cadres who hold certain powers to present them with gifts worth several hundred or even several thousand yuan. Some cadres in leadership positions use various celebrations as a pretext to publically accept considerable envelopes and packages and "commemorative gifts" of great value.

(2) It is difficult to distinguish bribery from providing labor or information fees or foregoing pay as allowed by policy. According to present policies and laws, providing labor fees, information fees, or foregoing pay are all permitted in the economic sphere. However, using one's position to take sales commissions or improper handling fees are prohibited by law. Thus, some criminal elements rack their brains for ways to turn the latter into the former. Actually, there is a certain degree of difficulty in determining a crime because bribery is interwoven with deducting percentages, sales and other commissions,

reimbursements, handling fees, service fees, extra service fees, information consultancy fees, etc.

4. Formidable obstacles to gathering evidence because the bribed hold a certain power in their hands. The bribed can both rely on their power at hand to take bribes and use this power to contend with being exposed to the masses and judicial organizations. This means all sorts of difficulties for investigating and handling cases. Bribery crimes often involve inside and outside ties or collusion between those above and below; above there is a "protective umbrella," below there is a "network of relationships." The masses fear retaliation and dare not lightly expose them or present evidence. [passage omitted]

Achievements in Anti-Larceny Campaign

92CM0406C Beijing FAZHI RIBAO in Chinese
14 Aug 92 p 1

[Article by Zhang Ya (1728 0068): "Anti-Larceny Campaign, Underway One Year, Gets Expected Results"]

[Excerpts] [passage omitted]

More than 810,000 larceny cases have been broken nationwide since the anti-larceny campaign was launched in September 1991. More than 60,000 larceny gangs with nearly 250,000 members have been caught. A great amount of stolen money and goods have been seized. The inception of the campaign initially has curbed the great rise in criminal cases. [passage omitted] In the first quarter of 1992, criminal cases nationwide were down 12 percent over the same period in 1991, of which, larceny was down 16 percent. Public feelings over safety have risen.

The first characteristic of the anti-larceny campaign: Respect by party committees and government. Major party and government comrades in charge have been personally deployed in a dozen provinces, autonomous regions, and centrally administered municipalities to enhance campaign leadership. In most areas, the top leadership is in command of concrete orders. In Shanxi and Henan, unified control committee members separately have summed up orders and key issues to be dealt with, and have gone to the grassroots to inspect things. The majority of provinces, autonomous regions, and centrally administered municipalities have determined anti-larceny campaign plans or implementation projects.

Second characteristic of the anti-larceny campaign: Measures suited to local conditions, key items stressed. Aimed at the outstanding larceny problems of local areas, sectors, and units, attacks and punishment are being launched and carried out in a planned and measured way. Criminal gangs and repeat offenders are special targets. Shandong launched a campaign and broke a total of 15,000 larceny cases. Shanghai caught a criminal gang called the "Eastern Demon Company" which specialized in stealing secret code safes. This gang had more than 100 members who fled to 14 cities. They

were involved in 256 cases in which they stole more than 440,000 yuan and a huge amount of foreign exchange.

Third characteristic of the anti-larceny campaign: Larceny steadfastly attacked and prevented, public security enhanced, strict control systems. According to incomplete statistics from 15 provinces and municipalities including Hebei, Liaoning, Heilongjiang, Shanghai, Hubei, Guangdong, Guizhou, and Qinghai, in an effort against internal theft, more than 7,000 illegal procurement and sales stations were outlawed and more than 400 business licenses revoked. More than 66,000 tons of illegally purchased scrap metal was not recovered, but more than four million yuan of stolen money was.

Fourth characteristic of the anti-larceny campaign: Principle of "whoever is in charge is responsible" will be further implemented; relevant sectors and trades consider their own activities and energetically participate in fighting larceny. All areas generally reported that since implementing the "Provisional Regulations Regarding Enhancing Security Measure Precautions for Residential Building Plans" formulated by the Ministry of Urban and Rural Construction and Environmental Protection and the Ministry of Public Security in October 1991, they have played an important role in promoting the anti-larceny campaign at the urban residential level. The

Ministries of Railways and Communications, the People's Bank of China, the General Administration of Civil Aviation, and the China Oil and Natural Gas Exploration and Exploitation Corporation have actively encouraged the anti-larceny campaign in-house, promoting implementation of unified control measures.

Fifth characteristic of the anti-larceny campaign: mass motivation broadly promoted; methods to guard people, objects, and technology implemented; public order guardian network initially completed; masses' awareness enhanced. All areas have fully utilized propaganda media such as broadcasts, television, and newspapers to launch large-scale propaganda in the form of propaganda days, public letters, and anti-larceny campaign exhibitions.

Sixth characteristic of the anti-larceny campaign: Full authority of policies and laws brought into play; political attacks launched to demoralize illegal criminal members. The public security, investigative, legal and judicial organs in Beijing, Tianjin, and Shanghai jointly issued a "circular" regarding strictly attacking criminal theft. They publicly issued "wanted circulars" on radio, television, and in newspapers. They chose the best time to convene a public handling meeting to obtain help. Social results have been rather good. [passage omitted]

CENTRAL-SOUTH REGION

Hainan Sentences Officials for Abuse of Power
*HK1109030592 Beijing CHINA DAILY in English
11 Sep 92 p 3*

[Report: "Officials Sentenced Over Houses"]

[Text] Hainan Province has sentenced 15 government officials and expelled 28 from the Communist Party for abusing the power by building private houses for themselves at the public expense.

Speaking earlier this week at a meeting in Hainan, the province governor summarized the two years of investigation into the housing conditions of government officials.

Governor Liu Jianfeng said that 286 government or Party officials were involved in bribes, graft, and extortion while building private houses. Among them, seven were officials at sub-provincial department level and 52 were at a lower level.

The governor said 193 officials were punished because they acted against regulations when they built their own houses.

Fifteen officials were sentenced and 28 were expelled from the Party.

During the two-year probe of housing conditions, it was found out that 13,210 government officials built private houses, among whom, 4,400 officials built private dwellings but still occupied government-allocated residences. By now, however, 90 percent of the 4,400 have moved out of the government-allocated quarters.

Throughout the province, 3,956 officials used land against regulations when they built private houses.

SOUTHWEST REGION

64 Tibetans Get Sentences Commuted
*OW2409142392 Beijing XINHUA in English
1410 GMT 24 Sep 92*

[Text] Lhasa, September 24 (XINHUA)—Sixty-four convicted criminals in Tibet Autonomous Region, southwest China, got sentences commuted today for their good performances in jails.

Seven of them had their sentences cut from either life imprisonment or stay of execution to set terms of imprisonment; the other 57 had their sentences reduced, three being released on probation.

Tibet Speeding Up Pace of Solar Energy Plan

*OW1210144592 Beijing XINHUA in English
1346 GMT 12 Oct 92*

[Text] Lhasa, October 12 (XINHUA)—The Tibet Autonomous Region is speeding up the pace of implementing its "solar plan" designed to utilize solar energy for industrial and household use.

According to experts, Tibet is one of the richest areas in the world in terms of solar energy as it is located on a plateau 4,000 m above sea level and the sunshine time there reaches more than 3,000 hours annually on average.

The regional government has made a total investment of 150 million yuan in the plan.

Due to the shortage of energy resources in Tibet, cow dung has been the main fuel of the local people for centuries.

In the 1950s a number of technicians began to make experiments in developing solar energy in the region. Later, a group of experts was organized specially to implement the "solar plan."

By the end of last year the autonomous region had built more than 20,000 solar cookers, solar cells with a total capacity of 36,000 watts, 130,000 sq m of solar houses and nearly 20,000 sq m of greenhouses.

It is estimated that all the solar facilities which have been completed can save 20,000 tons of standard coal a year, worth more than 15 million yuan.

In implementing the "solar plan," Tibet will establish a national research center for solar energy to woo experts from at home and abroad to make studies on the development and utilization of solar energy in Tibet.

The local government also plans to increase the number of solar cookers to 70,000 for the local farmers and herdsmen while building more solar houses and photoelectric equipment in remote areas.

NORTHWEST REGION

Commentary on Xinjiang's Trade Fair
*OW1109083292 Beijing XINHUA Domestic Service
in Chinese 0754 GMT 7 Sep 92*

[Commentary by reporter Liu Guangnui (0491 0342 3662)]

[Text] Urumqi, 7 September (XINHUA)—Apart from the beautiful scenery, the autumn also brought Xinjiang a good harvest; similarly, the Urumqi border trade fair, which opened 2 September, not only brought a large volume of trade but also proved a more hopeful reality: Xinjiang's advantages are being recognized and the entire nation is jointly developing a new economic and trade market in the Euro-Asian hinterland.

State Council Premier Li Peng, who made a special trip from Beijing to attend the ribbon-cutting ceremony of the Urumqi trade fair, pointed out: The Urumqi trade fair is an important economic and trade activity in opening up Xinjiang and other northwestern provinces to the West and is a significant step in the northwestern region's cooperation with the heartland to open up to the outside world. With the Guangdong trade fair in the south, the Shanghai trade fair in the east, the Harbin trade fair in the north, and the Urumqi trade fair in the west, mutual coordination and cooperation among the north, south, east, and west will surely help to realize the direction of diversifying China's foreign trade and will play an important role in implementing Sino-foreign economic and technical cooperation projects.

At the opening ceremony, Chairman Tumor Dawamat of the Xinjiang Autonomous Regional People's Government called the Urumqi trade fair a large international trade fair. In addition to foreign businessmen and trade groups from the five northwestern provinces (autonomous regions), Xian, and the Xinjiang Production and Construction Corps, trade delegations from most of China's provinces, municipalities (cities), and autonomous regions also were among the some 8,000 foreign and local guests present. The regional trade fair sponsored by five provinces (autonomous regions) and seven localities of the northwest has actually expanded into one on a national scale.

The facts are as follows: The trade fair was originally designed to provide 440 booths for exhibits and for making contacts; however, an unexpectedly large number of requests for participation from businessmen throughout the nation were received; the number of booths was initially increased to 668, then to 820, eventually to 1,049, and it still failed to satisfy demands. Some guests have no choice but to set up booths outside the exhibition hall; a lighting company from Shanghai resorted to using its contacts to bring catalogs of its products into the trade fair because it was unable to make it to Urumqi in time.

The gathering of such a large number of businessmen and products was the first for Xinjiang, an important point along the ancient silk road. What accounted for the huge popularity of the Urumqi trade fair? Experts held that with its location in the hinterland of the Euro-Asian continent, Xinjiang has its own unique geographical advantage in facing competition in the Central Asian and European markets; its 5,400-km border neighbors eight countries; and it has numerous trading ports. In addition, the readjustment of the world economic structure, the advent of a new situation in the Central Asian market, the opening of the second Euro-Asian highway, and the implementation of the state's strategy for opening up the border regions have also led those members of economic circles with foresight to look favorably upon Xinjiang.

The experts' analysis also coincided with the consensus among China's seasoned businessmen. Shrewd businessmen

from Hubei said: Because of its unique geographical location, the scale of Xinjiang's market, once developed, will greatly surpass that of many coastal provinces and cities. People from the south, just as Xinjiang's people, have always longed to see the rise of Xinjiang's border trade with high hopes. People from Beijing candidly pointed out: Let Xinjiang be the Xinjiang for all the people of China. After inspecting Xinjiang's border trade ports, Tianjin Vice Mayor Li Changxin said: Tianjin hopes to continue to use its coastal advantages and plans to seek a western outlet along the border. The border, the coast, and the heartland all have their respective advantages, only through mutual coordination can a comprehensive strength conducive to participation in international competition be formed. Heilongjiang Governor Shao Qihui stated: I totally believe that with the opening of the Urumqi trade fair as an indication, the efforts of China's various localities to open up to the outside world will surely see the emergence of a new phase.

Renowned Hong Kong entrepreneur Mr. Tang Xiang-qian, who specially invited a group of Hong Kong affairs experts and famed personages of Hong Kong's industrial and commercial circles to visit Xinjiang on the eve of the Urumqi trade fair, said: The emergence of the Central Asian market following the dismantling of the former Soviet Union is a great opportunity for Hong Kong. With its efforts to open up to the West, Xinjiang has very naturally become the window for Hong Kong to penetrate Central Asia, the CIS, and East Europe.

It is admirable that the people of Xinjiang are now able to correctly view the existence of Xinjiang's advantages. Secretary Song Hanliang of the CPC Xinjiang Autonomous Regional Committee has repeatedly stressed that Xinjiang must act as the bridgehead of China's efforts to open up to the West and must serve the entire nation and be willing to act as a middleman. For this reason, Xinjiang has teamed up with Shaanxi, Gansu, Ningxia, Qinghai, Xian, and the Xinjiang Production and Construction Corps to jointly host the trade fair to attain the goal of staging the entire nation's products in Xinjiang.

Prior to the opening of the Urumqi trade fair, the autonomous region had deliberately allocated prominent locations to other provinces' trade groups in the arrangement of exhibition and contact booths while keeping Xinjiang's booths around the corners. After the fair opened, the leadership of the autonomous region constantly urged workers to introduce customers to newly arrived trade groups from other provinces and arranged for foreign businessmen to visit other provinces' booths first. The Xinjiang Production and Construction corps alone is responsible for several business deals concluded between other provinces' trade groups and foreign businessmen. On the fifth day of the fair, 12 provinces and cities and 22 trade groups from outside Xinjiang have already successfully concluded some business deals.

Joining hands to march toward the Western window has become the loud call of the economic and trade circles of Xinjiang, the northwest, and the entire nation.

Article on Political Infighting

92CM0400B Taipei TZULI WANPAO in Chinese
18 Aug 92 p 14

[Article by Lei Yuchi (7191 3254 7871): "China KMT Vs Taiwan KMT"]

[Excerpts] According to press reports, Yu Muming [6735 1970 2494], a Legislative Yuan member from the military, raised the issue of China KMT vs Taiwan KMT at a party meeting to nominate candidates to run in the primary for the Legislative Yuan. In recent years it has been a frequent line of attack by the nonmainstream of the KMT to criticize the mainstream for paying too much attention to Taiwan while ignoring the issue of national reunification. Now that Yu Muming has thrown this topic into the open, the intra-party struggle seems to be intensifying, a trend that will do nothing to resolve the issue but may actually create a clear and present danger for Taiwan. Anyone concerned about Taiwan's future should take note. [passage omitted]

Although the mainstream has never indicated that it is abandoning "reunification" as the ultimate goal, what bothers the nonmainstream is that the mainstream has not been active enough. However, a closer examination shows that charges by the nonmainstream are nothing more than a pretext. The reality being what it is, the mainstream simply cannot do much more to bring about reunification. These are the main reasons:

1) The easiest way to achieve instant reunification is to accept the CCP's reunification formula unconditionally. Is that acceptable to the majority of Taiwan people? You need not ask them. If the nonmainstream criticizes the mainstream for thus abandoning the China KMT's party-founding ideals and the objective of its struggle, it only begs the question: Why did the bunch of bigwigs from other provinces who form the core of the nonmainstream flee to Taiwan 40 years ago? What significance and value did they have in the past 40 years when Taiwan resisted communism? How can they face up to the two late presidents surnamed Chiang?

2) If the nonmainstream advocates "military counterattack" to reunify China, their proposal is like throwing an egg against a rock. We may end up losing Taiwan, which will be the case if Taiwan is forcibly reunified with the mainland, a tragic outcome. In the past, former President Chiang Kai-shek stuck to the "military counterattack" line steadfastly, but even he did not rashly attempt such a move. At a time when martial law was lifted and the CCP was recognized as a political entity, how can we act recklessly? [passage omitted]

The nonmainstream certainly knows full well that these two formulas are unworkable. Their usual argument is that they want to reunify China using the "Three People's Principles," "democracy," and "Taiwan experience," or what President Hao Pai-tsun [6787 2672 2625] of the Executive Yuan has referred to as "peaceful evolution." Unfortunately, they argue, the mainstream is

so short-sighted that it is preoccupied only with Taiwan's prosperity and fails to pay attention to the democratization of all China. For this reason, it calls the mainstream Taiwan KMT. This line of reasoning by the nonmainstream is full of contradictions. Let us just note the more glaring ones:

- 1) When President Chiang Ching-kuo [5592 4842 0948] was in office, he sounded the slogan "Reunify China With the Three People's Principles" and founded the "Great Alliance for Reunifying China with the Three People's Principles," of which this author happened to be one of 60 founding members. But the alliance did not really do much after its inception. Even a founding father like myself, not to mention the man in the street, cannot cite any concrete achievements. Why then does the nonmainstream refrain from criticizing Mr. Chiang Ching-kuo, instead saving its denunciations exclusively for the mainstream today, which is merely following a set policy?
- 2) Many people have criticized Taiwan for practicing "sham democracy" in the past 40 years. Even a college professor like myself who teaches the Three People's Principles cannot deny or refute such a charge. How then are we to reunify China with the Three People's Principles?
- 3) The way Taiwan practices democracy has resulted in the omnipotence of monied interests, which has drawn the most criticisms. Is the nonmainstream suggesting that we use our 80 billion [new Taiwan] dollars in foreign exchange reserves to buy our way to national reunification, from Guangzhou to Urumqi? [passage omitted]

Certainly there are good things about the Taiwan experience which should be popularized on the mainland, thereby narrowing the gap between the two sides of the strait in thinking, institutions, and lifestyle, and laying the foundation for peaceful reunification in the future. However, this is easier said than done mainly because "peaceful evolution" is anathema to the CCP these days, something even more dreadful than Taiwan independence; "peaceful evolution" threatens the very existence of the CCP regime. For this reason the CCP strictly prevents Taiwan businessmen on the mainland from organizing in any shape and form, so much so that it created all manner of difficulties for the delegation from the Haichihui when it tried to get in touch with Taiwan businessmen on the mainland. The nonmainstream demands that the mainstream take a stronger position. That would be counterproductive, wouldn't it?

Whether or not the mainstream has been developing relations between the two sides of the strait at an appropriate pace is certainly a matter of personal judgment. But its policy of putting the welfare of 20 million Taiwan people above anything else and developing relations with the mainland steadily, at the same time looking out for Taiwan's security, has been rather successful. Witness the fact that under the influence of Taiwan businessmen, our fellow countrymen on the

mainland are becoming increasingly money-minded. This approach probably enjoys the support of most people in Taiwan. The so-called Taiwan-first-mainland-second line is like Dr. Sun Yat-sen's "bamboo pole and lottery ticket" analogy. To do otherwise, we may end up losing the wherewithal of our survival. Then it would be too late. [passage omitted]

Given its political astuteness, the nonmainstream cannot but understand this simple truth. Yet it insists on dividing comrades in the party into China KMT and Taiwan KMT. The underlying reason may be that the bigwigs from other provinces cannot tolerate top government and party officials from the province of Taiwan gradually breaking their old monopoly on political power. If that is the case, then the issue of China KMT vs Taiwan KMT is not a struggle over line at all but a power struggle through and through. The masses in Taiwan should understand it and not be confused by these political maneuverings and end up being cruelly exploited by them. This is the only way to avoid the clear and present danger created by some people deliberately manufacturing inter-province conflicts.

Taipei, Ulanbaatar To Establish Exchange Centers

OW2310093092 Taipei CNA in English 0755 GMT 23 Oct 92

[Text] Taipei, Oct. 23 (CNA)—The Mongolian and Tibetan Foundation is planning to establish a Taipei Economic & Cultural Center in Mongolia's capital, Ulanbaatar, an official of the Mongolian & Tibetan Affairs Commission (MTAC) said Thursday.

MTAC Secretary General Chen Hsiao-hsien said the Mongolian authorities are also interested in setting up a counterpart center in Taipei.

The establishment of the Taipei Economic and Cultural Center, Chen said, will not contradict the government's policy, which still insists that Mongolia is part of the Republic of China [ROC]'s territory. "Because the center will be run by the Mongolian and Tibetan Foundation, a private, nongovernmental organization," he said.

**PRC Journal Urges 'Convergence' of '95, '97
Legco**

*HK1609125992 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 37, 14 Sep 92 p 20*

[Article by Zheng Yan (6774 6056): "Stable Transition Can Only Be Attained Through 'Convergence'—Discussing Hong Kong's 1995 Legislative Council Elections"]

[Text] As 1997 draws near, the Legislative Council [Legco] elections in 1995 have become an issue of wide interest, because the elections will concern whether Legco can be smoothly turned into the First Legco of the Hong Kong Special Administrative Region [SAR] in 1997. The question of how to achieve this end should be discussed broadly. Here, I would like to express my personal opinion in order to extract more valuable opinions from others.

There must be certain inaccuracy in any figure of speech. The prevailing expression of "through train" can be accepted as a figure of speech which vividly describes the last Legco in Hong Kong before 1997 being directly changed into the First Legco of the SAR. This is not an accurate expression and it may create a misunderstanding of equating the Legco voted in by the election in 1995 and with the First SAR Legco in 1997 and may cause people to feel that such a change is inevitable. In fact, there are essential differences: The Legco formed by the 1995 elections is the last Legco while Hong Kong is ruled by the British Hong Kong Government but the First SAR Legco is a local legislative institution set up by China after it resumes the sovereignty over Hong Kong. They are formed by different governments, so they certainly bear different characters. In view of this, the Third Session of the Seventh National People's Congress [NPC] adopted on 4 April 1990 the "Decision on the Method for the Formation of the First Government and the First Legco of the Hong Kong SAR" (the "Decision" for short). The "Decision" stipulated: The First Hong Kong SAR Legco shall be formed in accordance with the principles of state sovereignty and smooth transition. As for how to form the Legco, the NPC will establish a Hong Kong SAR Preparatory Committee, which will decide the concrete method of forming the Legco according to the stipulations of the "Decision." Therefore, the 1995 elections will only form the last legislative and consultative organ for the governor of Hong Kong and it is not necessarily the First SAR Legco. On this point, the term "through train" cannot give expression to the principle of "state sovereignty." Thus, it is inaccurate to mention "through train" without putting it in the right context.

Moreover, according to the "Decision," the formation of the First Hong Kong SAR Legco should also conform to the principle of "smooth transition." Thus, if the method of forming the 1995 Legco, its composition, and the personal conditions of its members all satisfy the relevant requirements of the Basic Law, then the Legco formed in 1995 can become the First SAR Legco. This is

a measure taken by the Chinese Government for maintaining Hong Kong's long-term prosperity and stability and guaranteeing Hong Kong's smooth transition and power transfer in 1997. It is also a concrete example of applying the principle of "one country, two systems" to the issue of arranging the transition of the two legislative organs of different characters. The relevant provision of the Basic Law provides the legal grounds for such an arrangement and also provides the legal grounds for the Sino-British consultations on the 1995 elections.

The Basic Law will be promulgated before the 1995 elections. The key to making it possible to change Hong Kong's last Legco into the First SAR Legco lies in "convergence." Here, "convergence" means that the former should meet the requirements of the latter and does not mean that the latter should be adapted to the former. That is, the whole arrangement of the 1995 elections and the results of the elections should meet the requirements of the Basic Law, thus making it possible to effect such transition. Only with "convergence" can there be smooth transition. The Chinese and British sides should closely cooperate, conduct adequate consultations, and reach a consensus of opinion on arranging the 1995 elections in line with the relevant stipulations of the Basic Law. Only thus can the Legco formed by the 1995 elections be eligible to change into the First Legco of the Hong Kong SAR. Without "convergence," it will naturally lose eligibility for such a transition. In that case, I think, the Hong Kong SAR Preparatory Committee will have to establish the First SAR Legco of the Hong Kong SAR in accordance with the provisions of the Basic Law.

Some people in Hong Kong hold the following viewpoint: The Basic Law will come into force only as of 1 July 1997, so it is irrelevant to the 1995 Legco elections. This is an extremely pernicious view which opposes "convergence" and rejects a smooth transition. This viewpoint not only finds expression in some people's demand for increasing the Legco seats returned by direct elections to a number larger than that specified by the Basic Law but, more prominently, also in their opinion on the eligibility of the Legco members.

The "Decision" explicitly stipulates: If members of the last Hong Kong Legco "uphold the Basic Law of the Hong Kong SAR of the PRC, pledge allegiance to the Hong Kong SAR of the PRC, and meet the requirements set out in the SAR Basic Law, upon confirmation by the Preparatory Committee, they can become members of the First SAR Legco." A similar stipulation is also made by Article 104 of the Basic Law. The Chinese side has indicated many times that, to effect a smooth transition, it is hoped that Legco members returned in the 1995 elections can all become members of the First SAR Legco. This is also a situation all people want to see. In order to make this hope come true, it is necessary to guarantee that the 1995 elections will form a Legco favorable to smooth transition and marked by the equal participation of people in all social circles. The personal conditions of the Legco members voted in by the 1995

elections must be in conformity with the requirements specified in the Basic Law. That is to say, to ensure smooth transition, the eligibility of the candidates in the 1995 Legco elections must meet the relevant requirements of the Basic Law. Only thus can the Legco members voted in by the 1995 elections be acceptable as members of the First SAR Legco. On this principled issue, those who still have illusions should come to realize that the Chinese will never swallow a bitter fruit given by other people.

I am glad to see that the British side has expressed many times its willingness to discuss with the Chinese side matters concerning the 1995 elections. This will make it possible to effect the smooth transition from the last Hong Kong Legco to the First SAR Legco. The Chinese and British sides and the people in Hong Kong should all make efforts to achieve this end. Hong Kong will be very fortunate indeed, if this end is really achieved.

New Characteristics of Juvenile Delinquency

93CM0005B Hong Kong MING PAO in Chinese
15 Sep 92 p 2

[Article by correspondent Lu Chao-ming (4151 6389 2494): "Juvenile Delinquency Doubled in Five Years; Four Great Changes Over This Period of Comparison"]

[Excerpt] A survey at the detention and correctional center has shown that there have been marked changes in the characteristics of juvenile delinquents, and that the number of first-time juvenile offenders has almost doubled as compared with five years ago.

This survey has compared mainly the special character of the juvenile criminals held at the detention and correctional center for the period from 1986 to 1991. Lu Chen Ching-chuan, a senior applied psychologist at the detention center pointed out that the increase in first-time juvenile delinquents in prison may be due to the stricter sentencing by the courts or to the growing seriousness of crimes committed by juveniles.

The survey revealed that during the past five years there has been a change in the background to crimes committed by the juveniles in prison, and that family support and ability to get on in school have deteriorated.

The first change is that five years ago the rate of juvenile repeat offenders in prison was 70 percent, and that today the ratio between repeat offenders and first-time offenders is fifty-fifty.

The second change is that offences committed while in possession of offensive weapons has markedly increased, from 2.8 percent in 1986 to 8.5 last year. Mrs. Lu believes that this is related to the growing violence displayed in all cases of juvenile delinquency.

The third change is that the rate of juvenile delinquents in the detention center who admitted to be members of underworld gangs has steeply declined during the said five years. In 1986 about 60 percent of the juvenile delinquents admitted to being members of triad societies, but last year they made up only 30 percent. At the same time the rate of prisoners who in their past have had relations with underworld figures has increased.

Mrs. Lu said that the change that has occurred in the relation between juvenile delinquents and the underworld society is due to the fact that the structure of Hong Kong's underworld society has undergone a change. She said that now all the juvenile delinquents mostly employ a mai dui [1003 1018] style of operation; they do not bother to organize, and criminal acts are motivated by the personal interests of the offenders. It is for this reason that the number of official members of underworld gangs has declined; however, there has been an increase in relations with the underworld society.

The fourth change is that in 1986, 20 percent of the juvenile prison inmates were drug addicts, while last year there were less than 10 percent. However, the number of juvenile delinquents who have taken light drugs has increased. In 1989, there were only about 25 percent involved with light drugs, while in 1991 they had increased to about 40 percent.

Moreover, in 1991 over 30 percent of the juvenile delinquent have come from broken families, while in 1986, not quite 25 percent. Mrs. Lu said, juvenile delinquents coming from broken families, because of the lack of family support, will be more apt to become repeat offenders.

One occurrence in all this that deserves our attention is that the juvenile delinquents' ability to get along in school life is getting increasingly worse. In 1989, 63.8 percent of the juvenile prison inmates considered their school record rather deficient, but this figure has now jumped to 75 percent. Regarding conduct in schools, 50.6 percent of the delinquents in 1989 had been criticized for bad conduct, but in 1991, this figure had gone up to 65.1 percent, an increase of almost 10 percentage points.

Particular Changes Among Juvenile Delinquents in Prison (unit %)

Years:	1986	1987	1988	1989	1990	1991
Ratio of drug addicts:						
Non-addicted	76.1	80.3	87.7	92.7	92.4	90.6
Addicted	23.9	19.7	12.3	7.3	7.6	9.4
Relations With Triads:						
Nonmember of triads	39.2	43.7	40.8	49.2	51.9	69.6
Members of triads	60.8	56.3	59.2	50.8	48.1	30.4
Number of previous convictions:						
Zero*	28	31.4	31.4	34.9	38.5	47.3
one	30.3	30.4	34.6	33.3	29.3	31.8
2-4	37.3	35.2	31.6	29.1	30.2	19.3
5 or more	4.4	3	2.4	2.7	2.1	1.5

* "Zero" means no previous conviction to prison term.

Meeting Point: New Political Party

93CM0005A Hong Kong MING PAO in Chinese
14 Sep 92 9 5

[Article by correspondent: "Meeting Point Proclaims Its Organization as a Party"]

[Text] Meeting Point held a general membership meeting yesterday and officially proclaimed its reorganization as a political party, also its intention to come out and participate, along the lines of its political program, in Hong Kong politics at their present stage and to strengthen its political engagement and guidance. They also announced that they had won over to their group one of the founding members of the Democratic Alliance, Liang Chih-hung [2733 2535 7703]. This will have the effect that the number of Meeting Point members in the Legislative Council will have increased from the original three to four and is certainly strengthening the influence of the "small parties."

The said meeting also adopted the principle that members must not belong to other parties. Many members, therefore, had to withdraw from the United Democrats of Hong Kong [UDHK], including its deputy chairman Li Chih-yueh [2621 2784 1878] and chief secretary Lu Tzu-chien [4151 1311 0256]. On completion of the necessary formalities in the next few days, Liang Chih-hung will officially join the Meeting Point and will become there a member of its central committee.

The reorganized Meeting Point furthermore elected yesterday its central committee members and the members of its standing committee, keeping on only half of those that had served during the preceding term, while returning to their positions: Liu Nai-chiang [0491 6621 1730], a founding member of Meeting Point, its first to fourth term chairman, and a member of the Chinese Political Consultative Conference, as also Wang Chuochi [3769 0587 4388], first term deputy chairman of Meeting Point.

During the years after he had taken over the chairmanship of Meeting Point from Yang Sen [Yeung Sam 2799 2773], Liu Nai-chiang had maintained a low-key attitude. Yesterday, he announced that in the coming days he will help to have Meeting Point increase its contacts with the business community of medium and small-scale enterprises. As to contacts between China and Hong Kong, Liu emphasized that Meeting Point will not at all rely on only one person.

As we have heard, private discussions have already taken place between the Chinese side and certain members of Meeting Point regarding the second list of Hong Kong advisors, and Meeting Point's president Chang Ping-liang [1728 3521 5328] and Liu Nai-chiang have had a strong voice in these matters.

The new Meeting Point will not allow its members to participate in other organizations at the same time, except in cases that have been exempted by the central committee. Presently, Li Chih-yueh and Lu Tzu-chien must both arrange for their withdrawal from the UDHK. Another founding member of the UDHK, Lin Hsiao-lu [2651 4607 7627], will make the same change of membership as Liang Chih-hung. Lin was also elected member of the standing committee of Meeting Point, and there is furthermore Wei Ching-hsiang [5898 1987 4382], formerly member of the Taipingshan Learned Society, who has joined Meeting Point's central committee. All these members of the central committee or of its standing committee must complete withdrawal within one month from other political organizations of which they are members. As to ordinary members of Meeting Point, such as Yang Sen of the UDHK, they will be given a grace period of one year.

Liang Chih-hung, who was the single originator of the Association for Democracy, and who has now gone over to Meeting Point, declared yesterday evening that the important factor is that the political program of Meeting Point after its reorganization—"to remain in Hong Kong and reform, to strive for democracy"—conforms with

his own ways of thinking. He has indeed decided to remain in Hong Kong after 1997. Regarding impending large reforms in the area of health services and hygiene, Meeting Point's program comes very close to the whole set of his personal ideals.

We heard that after his withdrawal from the chairmanship of the Association for Democracy, Liang Chih-hung made his ideals and his orientation known, and also revealed that they differed to some extent from those of the mainstream of the Association; he had indeed gradually become indifferent to the affairs of the Association, and while in that state of mind, he had already started to have cooperative contacts with members of Meeting Point, so that about June of this year, when Meeting Point reorganized and extended a welcoming hand, both sides easily came to an immediate agreement.

At its reorganization, new Meeting Point had about 150 founding members and has again registered to ensure its status as a company with limited liability. Some 10-odd members of the old membership did not join again because of memberships in other organizations or due to some other factors.

The new political party hopes that on the foundation of the old Meeting Point and with increased power in the pursuit of political affairs, the central committee will in the coming few months hold a meeting to discuss election plans for 1994 and 1995, some of the objectives being the district boards, the legislative council, and even the National People's Congress after 1997, as also influences the decision-making departments.

The new Meeting Point requires annually H.K.\$1.5 million as operating expenses, of which two-thirds are to come from membership fees and one-third from outside contributions. Chairman Chang Ping-liang said yesterday that a committee has already been formed to solicit contributions; they will in a few days take up contacts with many commercial circles and people in the various professions and trades, to add new strength to the organization, and not to limit themselves merely to the intellectuals.

In the proclamation on its reorganization, Meeting Point restated its fundamental beliefs that had been expressed on its inauguration in 1983. These comprise acknowledgement that Hong Kong is an inseparable part of China's territory, that sovereignty over Hong Kong belongs to China, and that nationalism is one of the principles of Meeting Point, however any recognition of the Chinese nation must not be taken as tantamount to recognizing any present political regime or political party.

Chairman Chang Ping-liang declared that Meeting Point attaches importance to contacts and interchanges with China. As to the question when Meeting Point will be allowed to visit Peking for interchanges and interviews, Chang Ping-liang evaded a direct reply, but only repeatedly stressed that "a Peking visit is not a problem for Meeting Point." He said he has been there in the past,

and he will be going in the future. Many contacts exist already presently, and actual arrangements will be a matter of time.

Public Attitudes Toward Hong Kong Government

92CM0388A *Hong Kong KUANG-CHIAO CHING [WIDE ANGLE] in Chinese* No 238, 16 Jul 92 pp 48-57

[Article by Lau Siu-kai (0491 0340 0163): "Public Attitudes Toward Hong Kong Government"]

[Excerpts] [passage omitted]

The purpose of this study is to analyze the phenomenon of declining government authority in Hong Kong and the public feelings of political cynicism and political impotence derived therefrom. Most of the data in this article comes from a questionnaire survey conducted in the summer of 1991, supplemented by data from other studies carried out by myself and other scholars. Unless otherwise noted, data cited in the article comes from the 1991 study. [passage omitted]

In a longitudinal sense, the decline of the authority of the Hong Kong Government is striking even though we must admit it still retains the trust of the public thus far.

In a colonial society, political power is the monopoly of the colonial regime. The political system and the government are so interwoven that they are one and the same thing. Thus public acceptance of the government system is an accurate gauge of the colonial rulers' political prestige. In the 1985, 1988, 1990, and 1991 surveys, we asked the interviewees to respond to the following statement: "While Hong Kong's political system is not perfect, it is the best under Hong Kong's current reality"; 74.3 percent, 70.5 percent, 59 percent, and 72 percent, respectively, of the interviewees agreed with the statement. Since these surveys vary somewhat in their methodology, their results are not strictly comparable. Be that as it may, we can still say that by and large the political system of Hong Kong is acceptable to its people. Note, however, that the political system underwent some reforms in the 1980's, so when people talk about the current political system, they are not discussing exactly the same thing. What these studies do show is that despite democratic reform, public acceptance of the political system has not increased significantly. One possible explanation for this extraordinary phenomenon is that while a political system that has become more democratized should in principle find greater popularity among the public, any such increase in popularity may be offset by a drop in public support. Indeed, this is what we discovered in our studies: Interviewees more trustful of the government are also more likely to find the political system acceptable.

All political indicators suggest that public support for the government has diminished ever since 1997 emerged as an issue. Of those interviewed in the 1985, 1986, 1988, 1990, and 1991 surveys, 72.1 percent, 76.4 percent, 48.5 percent, 42.9 percent, and 42.6 percent, respectively,

said they were trustful or very trustful of the Hong Kong Government. The downward trend is quite clear.

Compared to the colonial government, the British Government enjoys even less trust among the people of Hong Kong. In the 1985 survey, 39.5 percent of the interviewees expressed trust in the British Government, compared to 56.6 percent in 1986, 30.4 percent in 1988, 18 percent in 1990, and 20.2 percent in 1991. Ever since the British and Chinese Governments signed the "Joint Declaration," the British Government has been exercising increasing influence in local political affairs, yet public trust in it has been declining steadily. That is all too clear. The entry of a mistrusted metropolitan state into Hong Kong's political framework naturally has adversely affected the authority of the local government.

Essentially, the Hong Kong Government is one composed of professional bureaucrats, so its authority is closely related to that enjoyed by civil servants in society. As the public becomes less trustful of the government, it also loses trust in civil servants. In the 1988 survey, 66.2 percent of the interviewees said they were trustful or very trustful of civil servants. Corresponding figures for the 1990 and 1991 surveys were lower, 51.8 percent, and 55.1 percent, respectively.

As a colonial government, the Hong Kong Government has always made its administrative performance the cornerstone of its political legitimacy. In recent years, however, its performance has been unsatisfactory, faced as it is with a host of unsolved problems and unmet social demands. The decline in government performance has been accompanied by rising public skepticism about its competence. In what looks like a long-term downward trend, 61.2 percent, 43.6 percent, 41.2 percent, 22.8 percent, and 31.1 percent of the interviewees in 1985, 1986, 1988, 1990, and 1991, respectively, rated government work performance as good. [passage omitted]

Lurking underneath the perceived decline in government authority is a political cynicism, which, in turn, has further diminished government prestige. So-called political cynicism refers to a tendency on the part of members of the public to ascribe government actions to ulterior, sinister, or selfish motives, which nevertheless cannot be openly or conclusively verified readily. A measure of political cynicism is inevitable, it must be admitted, in any colonial society; people ruled by another race tend to be skeptical about the latter's intent. Anecdotal data suggests that political cynicism is more marked among people in lower strata of society, less educated people, and older people. The reason is that these groups have experienced the injustice of the colonial system most often. At the same time, they lack the opportunity to come in contact with Western culture and are therefore unlikely to feel any admiration for such culture even though it is promoted by the colonial rulers. I already detected a touch of political cynicism back in the 1985 survey. A majority of interviewees (61 percent) at the

time agreed or strongly agreed with the following judgment: "The Hong Kong Government often says it protects public interests. In fact, its main concern is to protect its own interests." Clearly this judgment questions the sincerity of the government's claims that it cares about the welfare of the public. The imminent demise of colonial rule has only served to intensify public speculation about a government on the retreat. The 1991 survey shows that public skepticism is even deeper about the British Government, the Hong Kong Government's overlord. Slightly less than half (48.9 percent) of the interviewees felt that in handling Hong Kong affairs the British Government was more concerned to look after its own interests than those of the people of Hong Kong. Even more shocking is the fact that 56.9 percent of them believed that the British would try to make a fortune in Hong Kong before evacuating it in 1997. Considering that the Chinese political culture stresses the government's role as defender of the public interest and promoter of social well-being, political cynicism is a natural psychological response on the part of the people of Hong Kong who believe that the Hong Kong Government is not sincere in living up to those responsibilities or even that the government would sacrifice their interests. [passage omitted]

Moreover, Hong Kong's laissez-faire capitalism has resulted in a yawning gap between the rich and the poor. Since the early 1980's, inequalities in income and wealth in Hong Kong have widened mainly because of the restructuring of the local economy, the brain-drain fueled by the 1991 issue, and the reliance by local industry on inexpensive labor in south China. Naturally, rising economic inequality manifests itself in the worsening public perception of the rich. In the past, people might have some reservations about the morality of the rich and the successful, but they still admired them. However, by severely limiting its role in economic redistribution throughout the years instead of trying to bridge the gap between the rich and the poor, the government of Hong Kong has convinced the people it is out to "exploit" them in collusion with the rich. For years there has been a sharp difference of opinion between the people and the government here as to what should be the government's social and economic policies. All along the Hong Kong government has imaginatively applied an economic policy called "active nonintervention." The public, on the other hand, wants to see the government more deeply involved in social and economic matters. This policy divide between the governed and the government has bred political cynicism. People complain that the government only takes care of the interests of the rich while ignoring those of the man in the street. As a matter of fact, I found in the 1985 survey that slightly less than half (44.4 percent) of the respondents agreed or strongly agreed with the following derogatory comment on their government: "The Hong Kong Government mainly looks out for the interests of the rich."

In recent years public attitudes toward the rich have clearly deteriorated. In my study, only a handful (10.7

percent) of the interviewees found the rich respectable while several times more people (36.9 percent) thought otherwise. The lack of respect for the rich can primarily be attributed to the growing conviction that they are selfish. Asked whether social notables (mainly successful industrialists) are driven mainly by self interests or public interests, less than 10 percent (9.5 percent) believed they were motivated by social interests, 31.1 percent thought social notables were self-interested, and 40.1 percent believe that they were driven by both sets of motives. The response to another question gives us an even more direct clue to what the public thinks about the public spiritedness of the rich. The question was: "Other than making money, do you think Hong Kong's large corporations have fulfilled their social responsibilities?" Only 12.7 percent of the interviewees thought so, 27.9 percent believed otherwise, and 42.1 percent thought that the corporations had fulfilled only a tiny part of their social responsibilities.

However, the absence of respect for the rich on the part of the public does not mean that the people do not accept the existing social and economic system. Despite its numerous shortcomings, Hong Kong society remains broadly acceptable to the people. About half (51.9 percent) of the interviewees praised Hong Kong as a fair society, even though a significant portion (32.7 percent) thought otherwise. Particularly astonishing is the extent to which the Hong Kong people endorse the local economic system. Almost 60 percent (58.4 percent) considered Hong Kong's capitalist system a good economic system while only a negligible 5.2 percent disagreed. [passage omitted]

The decline in government authority occurs at the wrong time, just when the people of Hong Kong are becoming increasingly interested in politics and expect government to do more to meet social needs. In the study, 39.9 percent of the interviewees said their political interest had risen in the past two years. As people become more politically interested, they would naturally be more concerned about the effects of government actions on them. Consistent with the demand by the people for more government involvement in social affairs, 72.8 percent of the interviewees emphasized that the government had the responsibility to do more. For instance, although 28.2 percent of the interviewees thought that the government's role in economic development had been adequate, 39.7 percent felt that the role should be broadened. As far as government's role in providing social welfare and public services is concerned, the public's demand for a more active government is even more striking. As many as 61.3 percent of the respondents felt that the government was not doing enough. Similarly, at a time when violent crime was posing a growing threat, 63.1 percent of the people felt that the government should get tough on crime. To put it bluntly, the decline in government authority and capability occurs just when public demands on the government are rising sharply. The inevitable upshot is a heightened political cynicism among members of the public.

In theory, the simultaneous decline in government authority and rising political cynicism should inspire demands for changes in the political status quo. Objectively speaking, however, the people of Hong Kong have very limited choices here. Therefore, they could only helplessly accept the fact that there is no fundamental way out of the current political impasse. As a result, they feel a strong sense of political impotence, which, in turn, has only heightened political cynicism and accelerated the drop in government authority.

The fact is that even though government authority is declining continuously, the Hong Kong Government is irreplaceable before 1997. Under the Sino-British "Joint Declaration," Hong Kong is to be governed by the British before 30 June 1997. So while the government in power now is in a worsening quandary, it must continue to govern. For the people of Hong Kong, solving their problems by replacing the government is not an option. Nor do they actually make such a demand.

Another probable option is democratically reforming the existing political system. As a matter of fact, the emergence of 1997 as an issue has already enhanced the people's yearning for democracy. They hope that something good would come out of democratic elections. In the survey, slightly more than half of the interviewees (57.9 percent) expected the Hong Kong government to be more receptive to public opinion after elections were held. About half (50.6 percent) believed that if the Hong Kong Government is an elected one, it would do a better job. However, the way the people interpret "democratic government" is quite extraordinary. Most of them define democratic government as one willing to consult public opinion. Whether or not such a government is popularly elected is secondary. Since the public still support the existing political system, there are no strong demands for further democratization. When asked whether there are now too many or too few elections, only 11 percent and 14.7 percent said that there are too few or too many elections, respectively, while slightly under half (44.7 percent) believe the number is just about right. [passage omitted]

What is particularly important is that despite the lack of strong demands for democracy, the people of Hong Kong are not optimistic about the prospects of democratization in Hong Kong. As far as the introduction of a democratic political system in Hong Kong is concerned, a substantial portion of the interviewees (43.1 percent) estimated the chances for success to be small, and only one-third (28.2 percent) expressed optimism. If we compare this finding with those from earlier studies, we can detect a growing pessimism among the people about the prospects of democracy. In the 1985 survey, for instance, 54.7 percent of the people thought that chances were quite good that political democratization would succeed in Hong Kong. In the 1990 study, optimists had dropped to 33.1 percent while pessimists had risen to 43.6 percent. Thus we can conclude that in Hong Kong political democratization is not a practical or effective strategy to

manage the problems of declining political authority and growing political cynicism. [passage omitted]

If the people of Hong Kong are hard pressed to name an institution or organization that they think is more trustworthy than the government, they entertain even dimmer hopes of finding a political leader or political organization worthy of their trust. In the survey, 71.6 percent of the interviewees had no trustworthy political leader in mind and 68.1 percent had no trustworthy local leader in mind. Things were just a tad better in the case of political organizations as a high 62.6 percent had no trustworthy political organization. Sadly only a tiny

minority (12.7 percent) said they could name a trustworthy political leader; 11.7 percent, a local leader; and 12.5 percent, a political organization. Moreover, a majority of interviewees were pessimistic about the likelihood of the emergence of trustworthy political leaders in Hong Kong before 1997; only 20.4 percent thought that such leaders would emerge. Even if trustworthy leaders do appear, they will not necessarily inspire the confidence of the people of Hong Kong. The reason is that a pitifully small 10.5 percent thought that political leaders in Hong Kong had a good deal of capability, while as many as 31.9 percent thought that Hong Kong political leaders had little competence, and 36.7 percent thought that they had only average ability. [passage omitted]

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